

Algeria	6.00 Dhs.	Iran	115 Rials	China	0.900 Rmb
Austria	22 S.	Ireland	2.50 P.	France	125 F.
Belgium	2.700 B.	Italy	1.000 Lira	Germany	4.500 M.
Canada	50 C.	Japan	100 Y.	Great Britain	1.000 P.
Denmark	2.00 Dkr.	South Korea	100 W.	Spain	166 P.
Finland	5.00 Fmk.	Taiwan	100 N.	Sweden	100 Kr.
France	125 F.	Thailand	100 B.	Switzerland	1.000 S.
Germany	4.500 M.	Turkey	1.000 L.	U.S.A.	1.000 \$
Great Britain	1.000 P.	U.S.A.	1.000 \$	U.S.A.	1.000 \$
Greece	110 Dr.	Nigeria	1.000 N.	Yugoslavia	1.000 D.

Committees Split Along Party Lines On Harm to Reagan

WASHINGTON — Democrats and Republicans on the congressional committees investigating the Iran-contra affair disagreed Sunday on whether the revelations from the hearings have damaged Ronald Reagan's presidency.

"I think the president is strong," Representative Dick Cheney, Republican of Wyoming, said on a television interview program. "He should be able to recover from this and go on to an effective 18 months," the remainder of his term in office.

However, Senator George J. Mitchell, Democrat of Maine, said Mr. Reagan had been harmed by the hearings.

"I disagree that he hasn't been seriously damaged," Mr. Mitchell said. "I think he has been seriously impaired as a result of the elections of last November and now the hearings. Democrats won control of both the House of Representatives and the Senate in the November vote."

Their comments followed testimony last week by Lieutenant Colonel Oliver L. North and Rear Ad-

miral John M. Poindexter, two of the key figures in the secret sale of U.S. arms to Iran and diversion of profits to the Nicaraguan rebels, known as contra.

Admiral Poindexter, Mr. Reagan's former national security adviser, told the congressional committees that he had allowed the fund diversion and related activities to go ahead without informing Mr. Reagan.

That testimony was criticized last week by some Democratic legislators as not credible and self-serving.

However, Senator Orrin G. Hatch, Republican of Utah, said Sunday: "I think it's helped the president. I think the polls will show that the majority of the American people actually believe he has benefited from these hearings."

Senator Warren B. Rudman, Republican of New Hampshire, said the question of what Mr. Reagan knew was no longer a primary issue before the joint House and Senate panels.

"I think it's over" as far as the Reagan question is concerned, Mr. Rudman said. "I find Poindexter astonishing and yet I believe him because I think he did not realize the enormity of what he was doing."

Mr. Hatch, a leading Reagan defender, agreed. "The evidence shows that the president did not know of the diversion and that takes some of the air out of the balloon."

Admiral Poindexter will be questioned for a fourth day when the hearings resume Monday.

Mr. Cheney, vice chairman of the House select committee, said, "I think frankly the notion of criminal prosecution of North or Poindexter is absurd."

Representative Thomas S. Foley, Democrat of Washington, the House Democratic leader, said he also accepted Admiral Poindexter's testimony that he did not tell Mr. Reagan of the diversion of profits.

See POINDEXTER, Page 4



Landslides and Flooding Kill at Least 14 Near Northern Italian Lakes

The village of Tartano near the town of Sondrio, near Lake Como in northern Italy, lies in ruins after a landslide that hit a hotel and an apartment building, killing 10 persons and leaving two others missing. At least four other persons are known to

have died in floods and mudslides elsewhere in northern Italy. A state broadcasting network said dozens of villages and towns had been isolated by four days of heavy rains, which blocked or swept away hundreds of roads, bridges and railroad lines.

U.S. Gulf Plan: How Escorts Will Work

By John H. Cushman Jr.

New York Times Service

WASHINGTON — When the first Kuwaiti tankers to fly the American flag pass through the Strait of Hormuz, probably in the next several days, they will be escorted by U.S. warships assigned to see them safely past an avowedly hostile Iran.

Naval experts and government officials familiar with the planned operation say the navy's new Middle East Force in the Gulf region is tailor-made to escort ships through relatively crowded, constricted waters where dangers are as many and varied as fish around a reef.

Four U.S. frigates, three cruisers and a destroyer are operating in the Gulf and around the strait, where Iran has many air and naval bases and sites prepared for anti-ship missiles.

The U.S. military plan for the task force is secret, what follows is an approximate description of how the operation would work,

based on an analysis of the forces in place, their assigned tasks, the roles of combat under which they operate, their weapons and communications capabilities, and their standard operating procedures.

The outline is based on public documents and testimony, interviews with officials involved in the Gulf operation or familiar with its planning and a first-hand look at equipment aboard a Perry-class frigate, off Florida.

The Gulf military plan is about 80 pages long and has been circulated to top military officials. It is ready to be carried out upon command, at which time it becomes known as an operational order.

The warships, which have had three rehearsals since reinforcements arrived in the Gulf early this month, were chosen for a precise mix of weapons, electronic sensors and communications equipment. With that in mind, they will operate on the principle that a coordinated military force is far more powerful than the sum of its parts.

Also, A-6 and FA-18 attack aircraft, EA-6B electronic jamming aircraft, E-2C airborne radar command posts and F-14 fighter planes will fly nearby from the deck of the Constellation as the ships move within range of the Silkworth anti-ship missiles.

When the convoys move through the Gulf, they will perform an elaborate maneuver that knits into a protective network comprising the ships on the surface, the aircraft from the carrier's deck, surveillance planes flying from bases in Saudi Arabia and Oman, and other forces.

The result is designed to baffle any potential attacker — and to strike promptly at any threatening intruder.

Two oil tankers probably will link up with three warships outside the Strait of Hormuz and begin the 1,200-mile (1,900-kilometer) round trip to Kuwait under constant military escort. As the vessels move through the strait,

See GULF, Page 2

France Presses Iran on Allowing Envoys to Leave

By Edward Cody

Washington Post Service

PARIS — Seeking to avoid a hostage crisis, the French government pursued negotiations with Iran on Sunday to arrange the departure of its diplomats from the surrounded French Embassy in Tehran.

Philippe Séguin, the minister of social affairs and labor, said "the freedom of some of our fellow countrymen" was at stake in the talks. He called on Iran's leadership "to show responsibility" in resolving the dispute. France broke diplomatic relations with Iran on Friday.

"We are now living through a situation that is extremely worrying and that is, in a lot of regards, extremely serious," Mr. Séguin said in a radio interview.

Prime Minister Jacques Chirac's government has confined to the Iranian Embassy in Paris five Iranian diplomats and about 40 non-diplomatic officials employed there. Others are thought to be inside the building. All have been prevented from leaving French territory, the Interior Ministry said.

As the negotiations went on, the Iranian Embassy remained surrounded by French police. Similarly, the French Embassy was surrounded by more than 20 officials inside, 11 with diplomatic status.

Prime Minister Mir Hussein Mousavi, in an announcement relayed by Tehran Radio, said the negotiations continued through diplomats in both capitals. But he accused Mr. Chirac's government of showing "arrogant characteristics" by preventing Iranian diplomats from leaving France and said the blockade of the embassy in Paris was carried out "in a very fierce and brutal manner and in an insolent way."

The broadcast, monitored by news agencies, said Mr. Mousavi announced that Pakistan had agreed to represent Iranian interests in Paris. France announced Saturday that Italy would represent France in Tehran.

The French Foreign Ministry said it still hoped to arrange the departure of all personnel from both countries by Wednesday.

France broke off diplomatic relations in an angry confrontation over an Iranian official wanted in France for questioning about terrorist bombings.

French officials from President François Mitterrand on down have insisted that the official, Wahid Ghorji, must respond to a summons for questioning. Mr. Ghorji, listed as an embassy interpreter, does not have diplomatic immunity. But he has taken refuge inside the Iranian Embassy, which falls outside French jurisdiction.

Foreign Minister Jean-Bernard Raimond reiterated Sunday night that Mr. Ghorji would not be included in any exchange until he submitted to questioning. "This is not negotiable," Mr. Raimond told a television interviewer.

Mr. Chirac's government faced the task of persuading Iran to release all French diplomats and official personnel in Tehran while insisting that Mr. Ghorji must leave the embassy and report to a French investigating magistrate in Paris. Since Mr. Ghorji fled into the embassy six weeks ago, Iran has refused to accede to this demand.

In an apparent effort to create a parallel with Mr. Ghorji, Iranian officials said last week that the French consul in Tehran, Jean-Paul Torri, must appear before an Islamic revolutionary court to face charges of espionage and drug trafficking.

On Saturday, the Iranian interior minister, Sayed Ali Akbar Mohtashami, extended the charges to include an unspecified number of diplomats in the embassy, who he said had aided Iranian dissidents.

French officials, in rejecting the accusations, said Mr. Torri had diplomatic immunity and could not be prosecuted in any case according to the Vienna convention on the treatment of diplomats.

Beyond the specific charges, however, French officials and analysts expressed fear that Iranian authorities would disregard international practice and take the diplomats hostage.

Minister Meets Families

Mr. Raimond has met with families of French hostages believed held in Lebanon, Reuters reported.

Only hours after the break in diplomatic relations on Friday, an anonymous caller told news agencies in Beirut that two French diplomats being held in Lebanon — Marcel Carton and Marcel Fontaine — would be killed by Islamic Jihad. The two men are believed held by pro-Iranian Islamic militants.

French diplomats have voiced doubts about the authenticity of Islamic Jihad's threat, saying that kidnappers have in the past given photographs or other evidence of their captives.

The wives and other relatives of Mr. Carton and Mr. Fontaine were among a group of about 15 relatives that Mr. Raimond met at the Foreign Ministry on Saturday. Also present were relatives of Jean-Paul Kaufmann, a journalist, and Jean-Louis Normandin, a television technician, who also were kidnapped in Lebanon.

The relatives refused to speak to reporters after the talks, and Mr. Raimond made only a brief statement.

"I cannot tell you how many times I have met either together or individually the families of the hostages," he said. "I therefore met them today as is customary."

"I have met them in periods of calm and periods of tension," he added. "There will be other meetings with them, as in the past and like today."

Klosk

Iran Dismisses UN Resolution

NICOSIA (AP) — Iran said Sunday that it would reject a United Nations resolution aimed at ending the war with Iraq if the proposal were approved, calling it an excuse for U.S. military intervention.

The Iranian foreign minister, Ali Akbar Velayati, said on Tehran Radio, monitored in Nicosia, that his nation would not abide by the UN resolution. He called it defective because it did not punish Iraq as the aggressor. Diplomats at the UN predicted the resolution would be passed unanimously on Monday. Few details of the resolution have been divulged. Iraq invaded Iran in 1980.



Nick Faldo won the British Open golf championship Sunday. Page 17.

GENERAL NEWS

■ A look at how the U.S. plan for escorts in the Gulf will work. Page 2.

■ A general's warning in Seoul hints that the military may be getting restive. Page 2.

■ Illegal exports could help Pakistan make nuclear arms, a U.S. indictment said. Page 3.

BUSINESS/FINANCE

■ U.S. and EC officials clashed over President Reagan's plan to end farm subsidies. Page 11.

■ Pensacola is said to seek \$4.1 billion to settle its case against Texaco. Page 11.

Tamils Flock to Europe, Cavaco Silva But Status Is Uncertain Projected to Win Majority

By Barry James

International Herald Tribune

PARIS — Tamils fleeing violence and persecution in Sri Lanka, or perhaps just seeking a better life in the West, have become Western Europe's largest single group of immigrants in recent years.

At least 60,000 have arrived in the past five years, according to the Refugee Documentation Center in Paris.

But few have been accepted as legitimate refugees. Some stay on illegally after failing to get asylum, risking deportation or, in some countries, imprisonment.

Most of the refugees are trapped in an administrative limbo. They are not likely to get the papers they need to settle permanently or get decent jobs and social security benefits, so they are forced into an underground economy.

But they continue to stay, saying their lives would be in danger if they went home.

"We are here, but not liking it," said Uthayakumar Sithawathai, of the Tamil Coordinating Committee in France, which operates from a shabby storefront headquarters in Paris.

He added: "We'll not go back until the Tamils are established in their own state. Until then, we will stay."

The flow of Tamils has been stemmed by tougher immigration restrictions in Europe.

Britain has begun levying heavy fines against airlines that bring in

illegal immigrants. France has introduced visa requirements and clamped down on undocumented foreigners, and West Germany has closed a loophole that enabled thousands of Tamils to slip in via East Berlin. In Switzerland, voters in April approved tighter asylum laws by a 3-1 margin.

European governments have tended to reject or delay action on the Tamils' requests for asylum on the ground that they do meet the criteria set by the United Nations for official refugee status.

These state that a person seeking asylum must be in direct personal danger of death, imprisonment or persecution for ethnic, social, political or religious reasons.

Despite the pervasive violence and civil conflict in Sri Lanka, European governments argue that they cannot be sure the Tamils would be in personal danger if they returned home. The Sri Lankan government says they can return, but at the same time is threatening to invade Jaffna, the Tamil capital, to battle secessionist Tamil guerrillas.

Mr. Sithawathai said it was impossible for most Tamils to prove they had been persecuted. "The army won't give you a letter," he said. "It won't issue a certificate saying it tortured you."

Nearly three-quarters of Sri Lanka's 16 million population is Sinhalese and predominantly Buddhist. Most of the three million

See TAMILS, Page 4

LISBON — Portuguese state television predicted Sunday night that Prime Minister Anibal Cavaco Silva's Social Democrats would win an outright majority in the nation's 250-seat parliament.

It would be the first majority for any party since the country returned to representative government 11 years ago.

With 707 of 4,161 precincts reporting, official results gave the Social Democrats 60.30 percent of the vote, the Socialists 18.75 percent, the Christian Democrats 6.07 percent, the Communists 5.72 percent and the Democratic Renewal Party 2.59 percent. The remaining seven parties in the race had each polled less than 1 percent.

The television said the Social Democrats would take 48 to 50 percent of the vote and the Socialists 21 to 23 percent.

The Democratic Renewal Party, founded two years ago by former President Antonio Ramalho Eanes, was predicted to be the biggest loser, with 5 to 7 percent of the vote, down from the 17.92 percent it won in the October 1985 election.

The television projection came shortly after the polls closed in the mid-Atlantic islands of Madeira and the Azores, an hour after voting ended on the mainland.

The National Election Commission said the turnout was 71.48 percent of Portugal's eight million registered voters, putting the absentee rate about 3 percentage points higher than in 1985.

Political analysts credited the projected victory of Mr. Cavaco Silva, 48, and the center-right Social Democrats to an important upswing in Portugal's economy since the country joined the European Community on Jan. 1, 1986.

Under Mr. Cavaco Silva, an economist, the country reported an annual economic growth rate of 4 to 4.5 percent, the highest in Western Europe, though Portugal remains the poorest of the 12 EC states. Even Social Democratic leaders conceded this was primarily due not to government policies but to important EC development subsidies, cheaper oil prices and a falling dollar.

The Social Democrats, in an alliance with a tiny rightist party, formed a minority government in November 1985. That government was brought down in April through a vote of no confidence.

Portuguese also voted Sunday for the first time for the nation's 24 seats in the European Parliament. There the Social Democrats were expected to take a similar majority.

See AUSTRIA, Page 4



President Mario Soares of Portugal casting his vote Sunday in Lisbon.

Aid to Bekaa Shiites Reaps Fealty for Iran

By Nora Boustany

Washington Post Service

BAALBEK, Lebanon — Iranian groups have been filling a void by supplying services to the Shiite Moslem community here in Lebanon's Bekaa region, near the border with Syria.

The groups, including the Revolutionary Guards and affiliated welfare organizations such as the Martyr Foundation, provide health and social services, as well as religious, recreational, educational and military activities that build strong loyalties to Iranian-style Islamic fundamentalism.

Before Lebanon's civil war began in 1975, Baalbek was a world-renowned cultural center whose scenic Roman ruins served as the backdrop for annual international arts festivals. The town has since gained a reputation as a center for Iranian-inspired Islamic revolutionary activity.

"Lebanon is the child of Iran," an Iranian physician here, Akbar Mahaki, said in justifying the many Iranian-sponsored services offered to the local population.

"We originally came here to treat Iranian Revolutionary Guards," said Dr. Mahaki, who

runs the Imam Khomeini Hospital in the central Lebanese town of Baalbek. "Medical care here should be the responsibility of the Lebanese state, the Red Cross and Red Crescent. But when we found the people here unattended and abandoned we decided to do something about it."

The Imam Khomeini Hospital is staffed by six Lebanese and two Iranian doctors, 60 nurses and two midwives. Across the street, colorful murals and Iranian flags flutter above an archway leading to the Khawwam Hotel and a headquarters for Iranian Revolutionary Guards, or Pasdaran Enghelab.

An estimated 500 Revolutionary Guards have been based in central and southern Lebanon since Israel invaded Lebanon in 1982. Their activities include recruitment, military training and mobilization efforts that, among other objectives, help further the aims of Iran's 1978-79 Islamic revolution.

They are believed to be linked directly to the Iranian diplomatic mission in Damascus and Ambassador Mohammed Hassan Akhbari. The Pasdaran operate two military bases near Baalbek and reportedly have assisted in preparing

suicide missions against Israeli soldiers and their allies in southern Lebanon.

While Syria originally welcomed and assisted in the deployment of the Revolutionary Guards to support local resistance movements against Israel, recent tensions between Tehran and Damascus have prompted Syria to put tight restrictions on the Pasdaran's activities.

Shiite security officials in Beirut said Iran was spending almost \$5 million a month in Lebanon. The money is used not only to finance the Islamic Resistance Movement in southern Lebanon and the rapidly growing Hezbollah, or the Party of God, but also to support underprivileged citizens and families of "martyrs" militiamen.

In the absence of functioning government institutions outside its major population centers, Lebanon is witnessing the creation of yet another mini-state.

Sheikh Shawkat Kanaan, one of the administrators of the Martyr Foundation in Baalbek, said 2 million Lebanese pounds (about \$13,900)

See LEBANON, Page 4

Moscow Will Resume Search for Life on Mars Despite Viking's Data

By Lee Dye

Los Angeles Times Service
BOULDER, Colorado — The Soviet Union has rejected the widely held belief that life does not exist on Mars and will make the search for life there a major part of its ambitious exploration of the red planet in the decade ahead.

That disclosure came during a four-hour satellite linkup Saturday between Soviet scientists in Moscow and U.S. scientists here, and clearly startled some of the Americans, who believed that the U.S. Viking probes that landed on Mars more than 10 years ago had shown conclusively that no life exists on Mars.

During the extraordinary conference Saturday, it became clear that the Soviets think that the Viking spacecraft may have looked in the wrong areas.

"We couldn't get them off the subject," said Chris McKay, a biologist with the National Aeronautics and Space Administration's Ames Research Center in Mountain View, California, who participated in the conference. "They have a fixation in their minds on life existing on Mars."

Soviet missions scheduled to travel to Mars early in the 1990s will carry devices to search for micro-organisms that may exist below the ground, which resembles the permafrost that blankets northern reaches of the Soviet Union.

About 25 scientists in each location took part in the satellite conference, held at the University of Colorado and sponsored by the Planetary Society of Pasadena, California. The purpose of the conference, presided over by the astronomer Carl Sagan, of Cornell University, was to promote the concept of a joint U.S.-Soviet mission to Mars.

The Soviet Union has previously announced a wide range of ambitious, unmanned missions to Mars during the 1990s, including a spacecraft that would scoop up Martian rocks and return them to Earth for examination.

Since the Viking probes, which landed in 1976, failed to turn up any evidence of life in two locations on Mars, nearly all U.S. scientists had concluded that if life ever did

exist there, it was now extinct. Thus U.S. scientists have leaned heavily toward finding evidence of ancient life that was snuffed out when Mars moved down an evolutionary path that was quite different than the course followed by Earth.

Although most American scientists who took part in the session said that they doubted that the Soviets would be successful, others sided with the Russians.

"This is probably going to get me banned from ever participating in this kind of program again," Carol Stoker of the Ames Research Center told her fellow scientists, "but you did not prove there is no life on Mars by Viking."

The Soviets "accept the Viking results for what they were," added Chuck Klein, also of Ames. The Vikings "showed there is no life in two places."

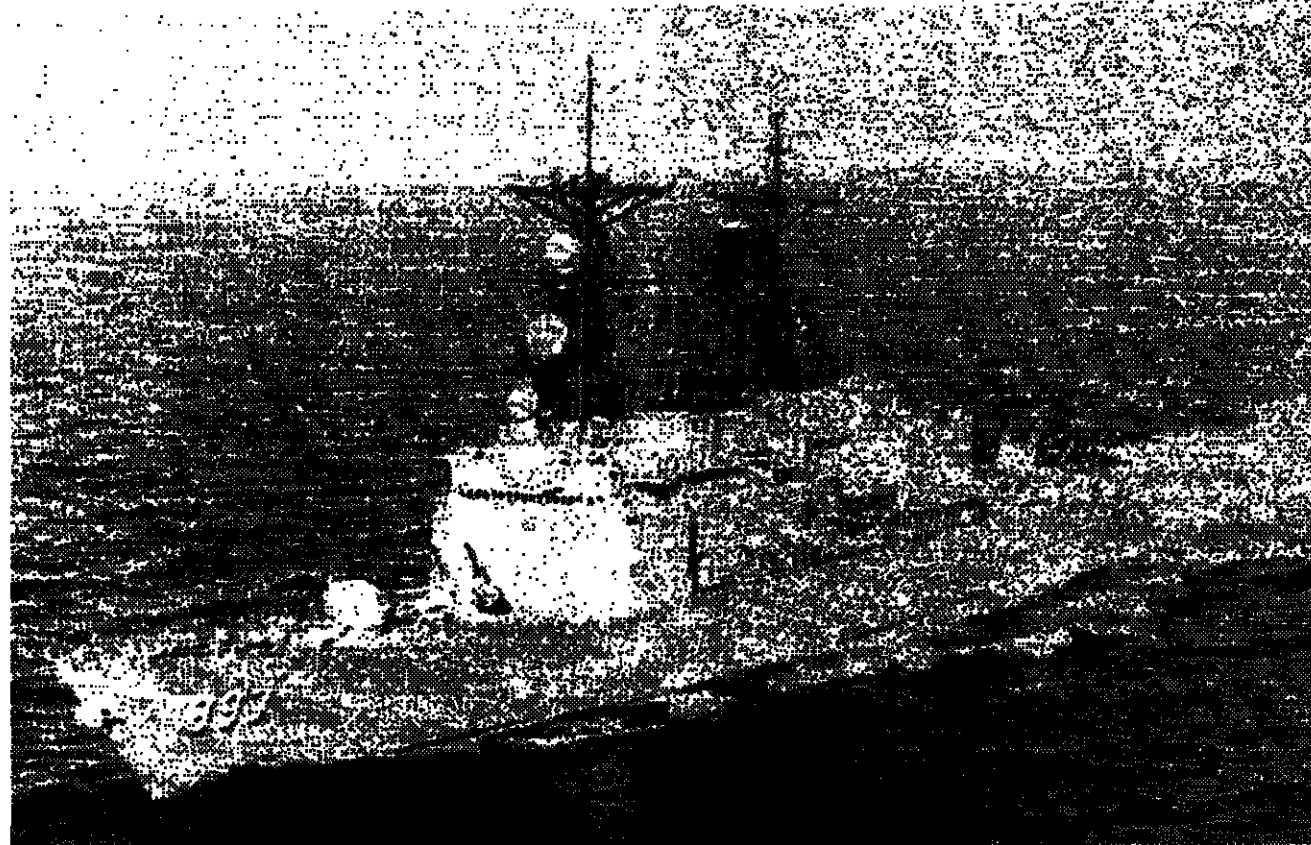
The Viking probes both landed in areas chosen for their benign climate and landscape conditions to give the spacecrafts a better chance of landing with their delicate instruments intact. However, Soviet scientists told their American counterparts during the conference Saturday that those sites were not the most promising in terms of finding life.

Several Soviets, whose comments were not always easily understood over the satellite link, referred repeatedly to the possibility of "oases" existing somewhere on Mars. They did not say where such an oasis might be, but American scientists at the meeting said that they suspected the Soviets were referring to Mars' polar regions, where water is believed to be trapped below the surface in the form of ice.

Scientists believe that early in its history, Mars had rivers of water. Hal Masursky of the U.S. Geological Survey said that the Soviets know from their own experiences in frigid regions of the Soviet Union that organisms sometimes thrive below the permafrost.

Nonetheless, few American scientists attending the session in Boulder indicated they thought the Soviets would find life on Mars.

"It's an exciting possibility," said Mr. McKay, a biologist at Ames. "But it's not very real."



The U.S. destroyer Kidd, which may escort Kuwaiti tankers in the Gulf, in a photograph released by the U.S. Navy.

GULF: A Look at How U.S. Plan to Escort Kuwaiti Oil Tankers Will Work

(Continued from Page 1)

cruisers will stand by to provide defense against air attack.

As the tankers move northwest to Kuwait, they might be accompanied by the destroyer Kidd and two frigates, forming a five-ship convoy that would move in close formation.

It seems likely that at least two warships will always be near the vessels in Kuwaiti waters. As the convoys head north, it will pass U.S. ships on patrol.

The United States has concentrated its ships in the southern part of the Gulf, but they have operated recently in its northernmost reaches and can move there quickly, ahead of the convoys.

Iran has recently moved much of its air force, mostly F-4 and F-14 fighters, to bases in the south, where the Silkway sites have been prepared and where there are many Iranian vessels. This may help explain the concentration of U.S. ships there and the stationing of cruisers at the strait.

In July and August, the convoys will leave every two weeks. That means that in the first month or two of the expanded military operation, extra escorts can be provided for each convoy.

The Pentagon has ordered that the ships be kept on high alert while accompanying the Kuwaiti tankers. At many times — for instance, while moving through the Strait of Hormuz, near known Iranian forces, or in the presence of potentially hostile ships or aircraft — the ship's crews will be called to general quarters. This means every weapon, sensor, engine and fire fighting station must be manned and all routine activity comes to a halt.

The navy expects to relieve the ships doing escort duty in the Gulf every three months to keep the crews fresh.

In the last 18 months, Iran has used several different styles of attack against merchant shipping: missiles fired from helicopters; missiles launched from aircraft; and, beginning nine months ago, rocket and gun attacks by frigates and small gunboats.

Recent attacks against merchant ships have been by small craft,

means that in the first month or two of the expanded military operation, extra escorts can be provided for each convoy.

It would be difficult for a suicide boat packed with explosives to draw alongside a navy ship and any blast probably would do little harm to an armored hull, experts say. But it is possible that such an attacker could come close enough to shoot a missile or torpedo.

Against such small-boat tactics, the destroyer Kidd and the cruiser Fox have an ideal weapon. It is a five-inch (128-millimeter) gun that can be used with equal potency against ships and shore installations. Its hefty shells can strike targets at more than 15 miles.

The Perry frigates have a smaller 76mm gun, more useful against low planes and small ships.

The ships also have launchers that can fire anti-aircraft missiles at targets more than 30 miles away. They also can fire Harpoon surface-to-air missiles, capable of sinking large vessels.

In case a hostile plane or ship gets close enough to fire a missile, or if a Silkway missile is launched, the navy ships have several guns to use in self-defense. The most effective is the Phalanx, a Gatling gun that throws a hail of heavy ammunition made of depleted uranium into a missile's path at a rate of 3,000 rounds a minute.

But the Phalanx is not a leak-proof defense. It is augmented by the air to present false targets, and by electronic jamming of a radar-guided missile like the Silkway.

Navy officers point out that the frigate Stark, which was operating alone when it was attacked, took no steps to defend itself the night of May 17 when a radar-guided Exocet struck it.

Ships now, with all aircraft approaching within 50 miles and are authorized to shoot down any that continue to approach in a threatening manner.

The escort service's most difficult task is to keep unidentified or potentially hostile ships out of range of the convoys. This means, in effect, sweeping a radius of perhaps 15 miles clear of intruders.

From the bridge of a frigate, the horizon is about eight miles away. The radar, high on the superstructure, can see a far greater distance. The most important aspect of the escort operation, naval experts say, is that while Kuwaiti tankers are under way, all the guns, missiles, aircraft, ships and sensors will be operating together. Doctrine holds that by adding forces together, their military effectiveness is multiplied. Nowhere is this more evident than in the use of sensors to detect attacks before they occur.

Every navy ship has at least one powerful surface-searching radar and another long-range air-searching radar. As convoys are escorted through the Gulf, they also will be watched by the long-range radar carried by surveillance aircraft, or AWACS, flying from Saudi Arabia. Maritime patrol aircraft known as P-3 Orions will fly over the Gulf from bases in Oman.

The navy has insured that each of the escort vessels carries a computerized data link allowing it to keep track at all times of any object detected by the radar sensors of any other escort ship or by the surveillance planes.

In effect, the captain of any ship can walk into the combat control room and, at the push of a button, display on a round video screen the position, direction and speed of any vessel or aircraft in the Gulf. The screen's diameter would show well over 1,000 miles.

Push the button again and the screen zooms in on the immediate area.

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WORLD BRIEFS

Afghan Unexpectedly Visits Soviet

MOSCOW (APF) — The Afghan leader, Major General Najibullah, arrived here Sunday for an unexpected visit that foreign analysts said was probably linked to efforts by his Soviet-backed government to end the war in Afghanistan.

Tass called the trip a "brief visit" but did not say why the trip was made. The visit comes amid reports that Soviet-Afghan forces had suffered serious reverses in fighting with the guerrillas.

In Islamabad, Pakistan, meanwhile, a former Afghan Army major general said that his guerrilla group won a victory over Soviet forces in a three-day operation near Kabul earlier this month, shooting down four planes. Abdul Rahim Wardak said guerrillas had ambushed four convoys, destroyed several military posts and dozens of tanks, armored cars and trucks, temporarily cut the main Kabul-Jalalabad highway and killed 900 Soviet and Afghan soldiers.

Turkey Ends Martial Law in 4 Areas

ANKARA (AP) — Martial law was lifted after eight and a half years in four southeastern provinces Sunday, ending Turkey's longest enforcement of military rule.

In the provinces of Diyarbakir, Mardin, Sirnak and Hakkari, martial law was replaced by emergency rule, under which a civilian governor, not a military commander, assumes extraordinary powers. Emergency rule is also in effect in four other southeastern provinces and Istanbul.

The national government recently appointed a regional governor responsible for security against Kurdish insurgency in the eight provinces. Martial law was first declared in December 1978 after sectarian fighting, but in the past three years the government has become increasingly concerned with fighting Kurdish rebels.

Kohl, in Nepal, Will Discuss Aid Plan

KATMANDU, Nepal (Reuters) — Chancellor Helmut Kohl came to the first West German head of government to visit Nepal when he arrived Sunday for a two-day official visit.

Mr. Kohl was welcomed by Prime Minister Man Mohan Singh Shrestha on arrival aboard a West German Air Force plane from Kunming, China. While in Nepal, Mr. Kohl is to meet King Birendra and the prime minister to discuss further development aid and relations between industrialized and developing countries, said Friedrich Ost, a West German spokesman.

Before leaving Kunming, Mr. Kohl had a 30-minute telephone conversation with Prime Minister Zhao Ziyang of China, the spokesman said. According to Mr. Ost, Mr. Zhao said the chancellor's one-week visit to China was successful and had brought new impetus for further German-Chinese cooperation.

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TRAVEL UPDATE

Storms, Mudslides Block Swiss Routes

LOCARNO, Switzerland (UPI) — Storms, heavy rains and mudslides blocked road and railroad links in southern and eastern Switzerland during the weekend.

The Swiss police said hundreds of villages were cut off and traffic conditions were "chaotic." Several major roads heading south from northern Europe were in jeopardy.

The north-south railway link through the St. Gothard tunnel was closed by a landslide on Saturday but workers reopened the line on Sunday. Camping sites in exposed areas were ordered evacuated by the police. On July 14, 22 people were killed at a campground in the French Alps when a rain-swollen river broke through a dam.

2 Delta Panels to Study Air Mishaps

ATLANTA (Reuters) — Delta Air Lines said Sunday it had appointed two committees headed by retired pilots to investigate a recent series of incidents, some of which apparently were caused by pilot error.

In the most serious of the incidents, a Delta jet bound from London to Cincinnati on July 9 strayed 30 miles (100 kilometers) off course and came within 100 feet (30 meters) of a Continental Airlines Boeing 747 in flight over the Atlantic.

Jim Ewing, a Delta spokesman, said one committee will investigate the in-flight mishaps, which all occurred within two weeks from June 30. A permanent committee has been appointed to perform "a constant in-house audit of one pilot's" flight. Ewing said. The Federal Aviation Administration has announced its own study of Delta.

At least 15 passengers aboard an Eastern Airlines jet suffered minor injuries after the landing gear of the Lockheed L-1011 collapsed as the plane taxied at Tocón airport near Panama City after arrival Saturday night from New York, a spokesman for the carrier said Sunday.

This Week's Holidays

Banking hours and government services will be closed or curtailed in the following countries and dependencies this week because of national and religious holidays.

MONDAY: Belgium, Bolivia, Guyana, Romania, Switzerland, West Germany, Yugoslavia.

TUESDAY: Argentina, Brazil, Chile, Colombia, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Peru, Puerto Rico, Spain, Tunisia.

WEDNESDAY: Argentina, Brazil, Chile, Colombia, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Peru, Puerto Rico, Spain, Tunisia.

THURSDAY: Argentina, Brazil, Chile, Colombia, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Peru, Puerto Rico, Spain, Tunisia.

FRIDAY: Argentina, Brazil, Chile, Colombia, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Peru, Puerto Rico, Spain, Tunisia.

SATURDAY: Argentina, Brazil, Chile, Colombia, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Peru, Puerto Rico, Spain, Tunisia.

SUNDAY: Argentina, Brazil, Chile, Colombia, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Peru, Puerto Rico, Spain, Tunisia.

Warning in Seoul Hints At Military Restiveness

By Nicholas D. Kristof

New York Times Service
SEOUL — As the drama of speeches and sit-ins and tear gas moves in the direction of democracy, an unspoken question is whether the military might decide to participate with a veto rather than a vote.

In the strongest indication yet that military intervention is at least possible, the chief of staff, General Park Hoo Do, has reportedly said that "something unhappy" might happen if the opposition leader, Kim Dae Jung, ran for president.

General Park, the most powerful military man in the country, made the warning earlier this month in a small, off-the-record briefing for South Korean journalists, according to sources with knowledge of the remarks.

A Western diplomat said the army seemed to be trying to send messages by various channels to Mr. Kim, warning him of trouble if he persisted.

But the diplomat added that the threats might be a bluff and that senior officers themselves seemed divided about whether the military should play a role in politics. And even if there were a coup attempt, he said, it might collapse.

The Information Ministry said that it had no comment and that General Park was unavailable.

Mr. Kim, 63, also declined to comment.

Over the years, various Korean governments have abducted Mr. Kim from refuge in Japan, sentenced him to death, exiled him to the United States and put him under house arrest 55 times since his return to Korea in February 1985.

His civil rights were restored July 9, allowing him to return to politics and run for president as part of a

package of concessions by the government announced at the end of June.

Diplomats and other political analysts say some army officers, without evidence that is apparent, appear to regard Mr. Kim as a Communist or Communist sympathizer. His suggestions that the military budget be cut reportedly have upset some officers, and analysts say some generals could be worried about reprisals by Mr. Kim if he became president.

One source quoted General Park as having said, "Kim Dae Jung has not changed, and the army's view of Kim Dae Jung has not changed."

The military and government also seem deeply concerned by signs that Mr. Kim would not adhere to a pledge he made in November. Mr. Kim said that he would not run for president if the government allowed direct presidential elections.

On Friday, Mr. Kim said his promise did not apply, because the government agreed to direct elections under pressure rather than voluntarily.

General Park reportedly said at the briefing: "Look at Gary Hart's case. He gave up his race for the presidency to take responsibility for his actions. Any politician should assume responsibility for his past activities and words."

Although both President Chun Doo Hwan and Roh Tae Woo, the ruling party's candidate for president, are former generals, it is generally believed that any military coup would unseat them as well as block Mr. Kim.

■ Election Deadline
President Chun's ruling party said Saturday that the country's first popular election in 16 years must be held by Dec. 20 and called on opposition leaders to submit a proposal this week for a new constitution to permit such a vote, the Los Angeles Times reported.

Mr. Roh challenged the South Korean opposition to match his political flexibility so that talks could be completed by next month to change the constitution. Mr. Roh stunned the nation three weeks ago in reversing government policy by accepting the opposition's demands for reforms.



LABOR LEADERS URGE SANCTIONS — Union members marching in Johannesburg, where South Africa's largest black labor federation, ending a national convention on Saturday, urged foreign companies to halt investment in the country. The 17-union Congress of South African Trade Unions also called for worldwide economic sanctions.

Japanese Firms Invade Quiet World of French Golf

By Julian Nundy

International Herald Tribune
SERAINCOURT, France — Just around the corner from the Hôtel du Soleil Levant, the Rising Sun Hotel, Japanese big business has made its mark in this village west of Paris.

But, if furrowed brows have appeared under the leathery tents of the middle-aged, middle-class Parisian sporting set, it is because the Japanese have bought up the pride of the bourgeoisie, the local golf club.

Their worry was not motivated by hurt national feelings. It came from revised membership rules that they feared were designed to price the existing French members out of the club.

The Seraincourt golf club, about 25 miles (40 kilometers) from Paris, used to be one of the most moderately priced in the region, costing

12,000 francs (\$2,000) a year with no right-of-entry fee or obligation to buy shares, as is common in many other French clubs.

In May, after HIO, a Japanese company specializing in management and construction of golf courses, bought the club for 35 million francs, a letter to its 350 members laid down new conditions.

There was some good news. The annual fee was slashed to 3,000 francs.

However, to gain the right to pay this, members had to find a 50,000-franc right-of-entry fee and make a noninterest-bearing, 10-year deposit of 160,000 francs, a total of 35,000. The new regulations were due to take effect on July 1.

The members reacted by forming a defense committee that renegotiated some of the terms and delayed the introduction of the new rules until October.

The club's new Japanese manager, Yoshitake Shoji, said that HIO had bought the course for commercial ends and had no desire to change the nature of its membership.

HIO sought to alter the fee structure to earn extra funds to develop and improve the club, he said.

"Our only aim is to improve the club's facilities," he said. "We expect only around 50 Japanese members out of a potential total membership of 500 to 600."

Under the renegotiated rules, Mr. Shoji said, members could accept the original conditions or take one of two new options: pay 50,000 francs for right of entry plus a 15,000-franc annual fee over 10 years, or a 50,000-franc fee for a three-year subscription. The sec-

ond solution enables members to continue playing at Seraincourt while waiting for entry into other clubs in the area, a process that sometimes takes as long as five years.

One new option at Seraincourt is subscriptions for companies, permitting employees to use a transferable membership. This is an ideal formula for foreign executives seeking distractions for their expatriate employees. It also bypasses the Catch-22 that the better French clubs impose on individual players — proof of a good handicap.

Alain Pichon, a member of the defense committee, conceded that facilities at the club had improved noticeably since the arrival of Japanese management.

But he said HIO had erred in assuming that the golf market in France was as lucrative as in Japan and had attempted to raise fees so high "that only Japanese companies could afford them."

He said that the defense committee had threatened to start a media campaign to argue its case or to take HIO to court.

The effect on the existing membership will only become clear over the next 12 months as current subscriptions run out, but some members at Seraincourt say they have started looking around for new clubs. And others have already left.

Some headed for a club at Chaumont-en-Vexin, about 30 miles away, to find that the manager there had put his lease up for sale.

The manager, Armand Mainis, said recently that he had had an offer from unnamed Japanese buyers for his lease but said that the offer was not high enough.

In Japan, golfers are estimated at more than 12 million in a country that has 1,450 courses. The United States has 19 million golfers playing on 12,000 courses.

The dedication of the Japanese to the sport is not always appreciated by the French, whose clubs also go in for such other entertainment as bridge evenings and black-tie dinners.

As one former member of Seraincourt, who has transferred to Chaumont-en-Vexin, noted: "The Japanese come early in the morning, before any of the French. They take no part in the life of the club. They only come to play."

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INTERNATIONAL POSITIONS
You will find below a listing of job positions published last Thursday under the rubric International Positions.

TITLE	SALARY	EMPLOYER
PROJECTS OFFICER		The Centro Internacional de Agricultura Tropical.
PERSONNEL OFFICER		The Food & Agricultural Organization of the United Nations, Rome, Italy.
INVESTMENT MANAGER		U.S. Int'l Fund Investing Co.

If you haven't seen last week's INTERNATIONAL POSITIONS rubric, please ask for a free copy: Max Ferrero, INTERNATIONAL HERALD TRIBUNE, 92521 Neuilly Cedex, France. Tel: (1) 46.37.93.81. Telex: 613995

FBI Looking Into Incidents For Links to El Salvador

Washington Post Service
LOS ANGELES — The Federal Bureau of Investigation and the Los Angeles Police Department have begun investigations into whether a series of violent incidents and death threats here are related to rightist Central American terrorist groups.

In the latest incident, a 31-year-old Guatemalan immigrant told the Los Angeles police that she was kidnapped for four hours on Friday and questioned about her work with refugees from El Salvador.

Lieutenant Dan Cooke of the Los Angeles Police Department said Saturday that his department had begun investigating the gunpoint abduction of Ana Maria Lopez and its possible connection to the July 6 rape and torture of a Salvadoran woman and a spate of threatening letters and telephone calls to activists opposing U.S. aid to the army of El Salvador.

Shortly before the kidnapping on Friday, the FBI announced it had "opened an investigation into allegations of possible El Salvador death squads operating in the Los Angeles area."

Lieutenant Cooke said police investigators see "a very strong possibility" that many of the incidents are linked.

Several groups supporting talks between the Salvadoran government and Marxist rebels denounced the incidents on Saturday as an invasion of Salvadoran death squads into the United States.

The Reverend Luis Olivares, pastor of the city's largest Latino Roman Catholic parish, said Friday that he received a letter Wednesday that was similar to those sent to some of the 14 priests who have been allegedly killed by death squads in El Salvador.

The letter contained one sheet of paper with the initials "E.M." and the number 1. The initials appear to stand for the *Escuadrón de la Muerte*, or Squadron of Death, a name used by terrorist groups in El Salvador.

The Committee in Solidarity with the People of El Salvador and the Southern California Ecumenical Council's Inter-Faith Task Force on Central America have reported several other incidents in the past two weeks.

After a Salvadoran woman working with the solidarity committee reported being interrogated, tortured and raped in a van on July 6, activists said they received a list of persons marked for death by rightist forces.

One of the Salvadoran women on the list, whose name had not been released, said she received two identical death threats on her answering machine.



A woman in San José de Bocay, Nicaragua, weeping beside the body of her husband, one of 13 persons killed in an attack by U.S.-backed rebels. Twenty-one guerrillas also died.

13 Die in Failed Contra Raid on Town

New York Times Service

SAN JOSE DE BOCA, Nicaragua — In an attack that U.S.-backed Nicaraguan guerrillas touted as a major victory, the rebels killed nine Sandinista soldiers, three children and a pregnant woman but failed to capture their target here last week.

A local Sandinista official, Sergio Saez, said that the bodies of 21 rebels had been found nearby after the attack. Four were on display along the road.

On Thursday, spokesmen for the guerrillas, who are known as *contras*, portrayed the attack on San José de Bocay, an isolated town about 160 miles (260 kilometers) northeast of Managua, as "the

most important military action we have carried out in the northern part of the country."

The spokesman, in Honduras, said his information was that *contras* had destroyed military installations, including the airstrip, which is used by army helicopters. It was the first major attack since the Iran-contras hearings in Washington focused U.S. attention on the rebel movement.

But on Saturday there was no evidence of damage to either the dirt airstrip or the small collection of shacks that serves as local headquarters for the Nicaraguan army.

Residents said that at 4:30 a.m. Thursday, about 100 *contras* stormed the town in Jinotega Province, firing mortars and automatic

weapons from nearby hillsides. By these accounts, gunfire echoed until nearly noon and the rebels, who have never managed to seize and hold a town, reached the edge of San José de Bocay, but advanced no further.

The guerrillas who attacked San José de Bocay, like the groups that have attacked other Nicaraguan towns and villages, left civilian victims without achieving any immediately visible military success.

But their raid Thursday was significant because *contras* leaders quickly claimed it as a triumph, and because it occurred as congressional hearings into the Iran-contras affair were reaching millions of U.S. television viewers.

U.S. Accuses 3 of Illegal Exports to Pakistan

By Michael R. Gordon

WASHINGTON — Two Americans and a Hong Kong businessman have been indicted for illegally exporting to Pakistan sophisticated instruments and advanced computer equipment that can be used in making nuclear bombs.

According to the indictment, about \$993,000 worth of sophisticated equipment was illegally exported in 1982 and 1983 to Hong Kong. Some of the equipment was then shipped to Pakistan.

The indictment was announced Friday by David F. Levi, the U.S. attorney in Sacramento, California. He said that the equipment shipped to Pakistan included oscilloscopes.

Regan administration experts said that the oscilloscopes could be used to analyze the high-explosive component of a bomb that triggers the nuclear detonation.

The case is one of several that appears to point to a broad effort by Pakistan to acquire the means to make nuclear weapons. In 1984, a Pakistani was arrested in Houston while trying to smuggle electronic switches that could be used to trigger nuclear bombs.

On July 10, the U.S. authorities arrested a Pakistani-born Canadian citizen in Philadelphia on charges that he had tried to export to Pakistan a special steel alloy that could be used in the enrichment of weapons-grade uranium.

Pakistan has denied any links to the suspect in that case, Arshad Z. Perviz. Congressional hearings on the case are set for this week.

The administration has said that Pakistan now needs to take concrete steps to restore its credibility and that further assurances that it is not trying to develop a nuclear weapon are not good enough.

In 1985, Congress passed a law that prohibits U.S. aid to a nation that does not possess nuclear weapons if the president determines that the nation attempted to illegally acquire American materials and technology for making nuclear arms.

Administration officials noted that the export that led to the indictment on Friday had taken place before that law was passed.

According to the indictment, a Hong Kong businessman, Leung Yiu Hing, placed an order for more than \$2.5 million in sophisticated equipment with two Americans, Arnold I. Mandel and his wife, Rona K. Mandel. The Mandels ran export companies in California.

The Mandels applied for export licenses but they were refused because of insufficient information. The couple exported the equipment anyway, and made false representations that they had the proper licenses, the indictment says.

According to the indictment, 15 shipments were sent to Hong Kong from July 1982 to August 1983. The total value of the shipments was about \$993,000.

Some of this equipment included oscilloscopes manufactured by the Tektronix company in Oregon. The Hong Kong businessman, in turn, sent four shipments to a company in Pakistan, Aftab Brothers, which is based in Islamabad.

Mr. Levi said that the shipments from the United States ended when Tektronix became suspicious and contacted the Commerce Department, which began an inquiry into the matter.

Dolphins Dying Off Italian Coast

The Associated Press

LECCE, Italy — The report of a dead dolphin found by fishermen in waters off the southern Adriatic coast has raised the number of dolphins to 42 that have died mysteriously in the area since January.

The dolphin, an adult male weighing about 1,100 pounds (500 kilograms), was believed to have died last week and was found Saturday, according to the news agency ANSA. Its corpse had not yet been examined by scientists, the agency said.

A meeting is scheduled Monday between the Ministry of the Environment and the local authorities to discuss chemical wastes dumped in the sea by a nearby plant that may be connected to the deaths of the dolphins and 500 sea turtles, ANSA said.

AMERICAN TOPICS

Magie Remains at Tent Circuses, Though Fewer Play the Big Top

Only 11 tent circuses are on the road in the United States this year, compared with 13 last year and 17 the year before, according to Allan C. Hill, 38, the owner of the Great American Circus currently touring the Middle West. He acknowledges the financial strains but says his operation, based in Sarasota, Florida, is still a money-maker.

The tent circus remains distinct from the big arena shows presented by the likes of Ringling Bros. and Barnum & Bailey. "I think there will always be tent circuses around as long as there are children," said Mr. Hill, who grew up in a circus family. "You smell the sawdust. You breathe the canvas, just like it was 100 years ago. Nothing's changed."

"We're playing seven days a week, seven and one-half months out of the year," Mr. Hill said. "Every day we put up this whole operation for one day, give two shows, tear it down, move 100 miles and do it all over again the next day." The main tent, or big top, can hold 3,000 people.

"In Janesville, we had 500 people out to watch the tent go up," he said, speaking of a stop in Wisconsin. "The day before, in Crystal Lake, Illinois, 800 people."

Fan reaction to the circus, he said, is "fantastic," adding: "Why is it? They're tired of reruns on TV."

Short Takes

The cash awards that go with Pulitzer Prizes have been increased from \$1,000 to \$3,000, the Pulitzer board has announced. "The monetary size," said Robert Christopher, board secretary, "is considered by the board to be distinctly secondary in importance" to the prize's "significance as a recognition of journalistic and artistic achievement." But he said inflation and changes in the tax code that render the awards taxable made the increase necessary. The journalism prizes were last increased in 1952, from \$500. The awards for letters, drama and music were increased from \$500 in 1968.

Other people collect postage stamps, coins, matchbooks, antique telephones. But Tony Hyman collects collectors. Mr. Hyman, a Claremont, California, writer, encountered other collectors while adding to his own collection of 2,400 cigar boxes. He eventually compiled about 900 collectors' names into a directory, "Cash for Your Undiscovered Treasures." (It can be ordered by mail from Mr. Hyman, Box 699, Claremont, California, 91711.) "There are people out there who will buy almost anything dated or unusual," he said.

The United States and Mexico will sign an agreement this summer on a program that could delay by a decade the arrival in Texas of African "killer" bees, according to Don Husnik of the U.S. Department of Agriculture. He said that otherwise, the bees could reach the United States as early as 1989 or 1990. The agreement would set up a barrier of traps at Mexico's narrowest point, the Isthmus of Tehuantepec. The bees, despite efforts to stop

them, have been spreading northward since 1957, when some queens imported to Brazil from Africa escaped. Some have been detected as close as 26 miles (42 kilometers) from the proposed barrier zone.

Notes About People

Senator Paul Simon of Illinois, who is running for the Democratic nomination for president, "is



Paul Simon: A comparison with Lincoln?

never going to photograph well," says V. Lance Tarrant, a Republican poll-taker. "His earlobes are unbelievable." Mr. Simon, who has written a book on Abraham Lincoln's years in the Illinois General Assembly, notes that Lincoln had huge ears and says, "I'm all for anything that invites comparisons with Abe Lincoln."

George Romney, the three-time Michigan governor, supposedly destroyed his chances in the 1968 run for the Republican presidential nomination by asserting that he had been "brainwashed" by the U.S. military on a 1965 trip to Vietnam. Now 80, Mr. Romney told The New York Times: "That wasn't true. I didn't drop out of the race because of the 'brainwash' statement." What happened, he said, was that Nelson A. Rockefeller retreated from a commitment to support him and decided to run himself. "When Rockefeller said he'd accept a draft," Mr. Romney said, "that meant he was a candidate, and I knew it was all up."

—ARTHUR HIGBEE

NOW Elects Smeal Ally As President

The Associated Press

PHILADELPHIA — The National Organization for Women has overwhelmingly elected as its president Molly Yard, the candidate backed by the retiring president, Eleanor C. Smeal.

Ms. Yard defeated Noreen Connell, president of the New York branch of the feminist organization, who is a critic of current policies.

Ms. Yard, who has not divulged her age but is thought to be in her mid-70s, is from Liggett, Pennsylvania. She has been political director of the 150,000-member organization since 1985. She said she would continue the work of her predecessor.

"I will certainly continue Ellie Smeal's tactics of remaining visible, of taking public action and calling marches on major issues," she said.

Ms. Connell, 40, had called for new tactics, saying the organization had not emphasized enough the problems of working-class and minority women.

Ms. Smeal, 47, a former Pittsburgh homemaker who has been president of NOW for 7 of the past 10 years, is stepping down to work for Fund for a Feminist Majority, a group that will encourage more women to run for office.

Earlier Saturday, members chanted "Run, Pat, Run!" as they urged Representative Patricia Schroeder to seek the presidential nomination.

Mrs. Schroeder, a Colorado Democrat, is dean of the women in the House of Representatives with 15 years' experience. She has formed an exploratory committee and hopes to raise \$20 million for a possible presidential effort.

She told the delegates she planned to make a decision in September.

Howard McGhee Dies; Jazz Trumpeter Was 69

New York Times Service

NEW YORK — Howard McGhee, 69, a trumpeter and composer who was one of the pioneers of modern jazz, died Friday at a hospital here.

Mr. McGhee, known to many musicians as Maggie, was born in Tulsa, Oklahoma, in 1918. In his infancy the family moved to Detroit, and he took up the trumpet while growing up there. In 1941 he joined Lionel Hampton's band and rapidly made a name for himself as a brava soloist.

He was in Los Angeles in 1945 when Charlie Parker and Dizzy Gillespie brought the first bebop band to the West Coast. Mr. McGhee played on several of the ground-breaking records Mr. Parker made for the Dial label. Mr. McGhee also made important Dial recordings with his own groups.

He was inactive during parts of the 1950s but enjoyed a resurgence

in the early '60s, when he made several impressive recordings, including a quartet date with the pianist Phineas Newborn Jr. In the late 1960s and early '70s he led a big band in New York.

Atsuko Chiba, 46, Journalist Who Told of Cancer Battle
NEW YORK (NYT) — Atsuko Chiba, 46, a Japanese journalist known for her candid pieces describing her battle with cancer, died of the disease July 9 at Memorial Sloan-Kettering Cancer Center.

Miss Chiba's column "Living With Cancer" was published every Friday beginning in 1983 in the Yomiuri Shimbun, one of Japan's largest daily newspapers, which also has a U.S. edition. Her final column appeared May 15, the newspaper said.

In 1981, Miss Chiba underwent surgery for breast cancer in Tokyo.

Agencies Tell Brazil to Save Amazon or Lose Aid

By Juan de Onis

International Herald Tribune
RIO BRANCO, Brazil — The Brazilian government's failure to protect the native peoples and ecology of the Amazon has led international development banks to threaten to cut off financing of highways and social projects in a vast frontier area.

For ecologists in Brazil and abroad, the issue involves the future of the world's largest tropical forest region and about 250,000 Indians, the last survivors of indigenous Amazon cultures whose people once numbered seven million.

There has been a general breakdown of systems set up to protect Indians and to control environmental damage, Brazilian officials and foreign consultants said.

Part of the blame, they said, lies with the military, which, citing national security, has blocked demarcation of Indian reserve areas in such frontier regions as Acre State.

Of 98 demarcation proposals for Indian reserves submitted since 1985 to the National Security Council, 47 have been approved. This has left 27 million acres (11 million hectares) of land undefined either as Indian areas or as ecological reserves.

Neighboring Bolivia recently established a precedent in Amazon conservation efforts with an agreement to set aside 3.7 million acres of tropical lowlands in exchange for a \$650,000 reduction of its foreign

debt. But Brazil, the Third World's biggest debtor, has shown no sign of following suit.

In Acre, which borders Bolivia and Peru in the western Amazon, bulldozers and graders are preparing an asphalt road through heavy forest to connect the state capital, Rio Branco, with Porto Velho, capital of Rondônia State. Acre's

'One of the problems is that we don't really have an overall policy for Amazon development.'

—Jerônimo Santana, Rondônia State governor

neighbor to the east, Rondônia has received a million settlers in the past five years and has no more good land left to distribute.

Major economic interests are involved. The reservations drawn up by anthropologists and ecological experts are often huge areas. One in Acre, the Javari park, is as big as Austria. In most cases, the areas involve valuable timber lands and mineral resources.

"Where I come from in the south, a poor man can't buy land, but here I have 220 hectares," said Liberto Camara, who came from Rio Grande do Sul, a developed agricultural state.

Tens of thousands of settlers have cut down 30 percent of the forest in Rondônia in 10 years. The

new road moves the frontier into Acre, an isolated state where rubber and Brazil nuts were the economic mainstays. Now there are big ranches along the new highway.

Delays in setting aside Indian lands, along with evidence of illegal exploitation of minerals and timber in forest reserves and other violations of environmental clauses in the Aripuanã Indian reserve near Rondônia's border with the state of Mato Grosso.

According to a World Bank report to Brazil's national Indian agency, FUNAI, the Indians of the Cinta-Larga tribe were led by a chief called Naki who had made a deal with gold prospectors illegally mining in the Indians' reserve.

Despite the World Bank report, dated July 7, the miners are still operating in the reserve, according to the Roman Catholic Indian Missionary Service.

Inez Hargreaves, who works with the Catholic agency in Rondônia, said of the Brazilian national Indian agency: "The Indian service has been sold out to the miners and lumbermen." Similar charges have been made by employees of the agency, some of whom have resigned recently from the agency, and by Brazilian consultants who monitor the Amazon projects financed by the multinational banks.

The banks, funded mainly by the United States and West European countries, are under pressure from the U.S. Congress and environmental groups over the damaging effects of some development loans.

"One of the problems," said Governor Jerônimo Santana of Rondônia, "is that we don't really have an overall policy for Amazon development in Brazil. There is a struggle between interest groups, and the federal government doesn't control the situation."

A World Bank team led by Daniel Gross, an anthropological consultant, was detained at gunpoint June 19 by Indians at Rio Preto in

LONDON: Monday, Tuesday, Wednesday

FRANKFURT: Tuesday, Wednesday, Thursday

PARIS: Tuesday, Wednesday, Friday

ROME: Wednesday, Saturday, Sunday

MILAN: Thursday, Saturday

AMSTERDAM: Thursday, Saturday

BRUSSELS: Thursday, Saturday

COLOGNE: Thursday, Saturday

DUBLIN: Thursday, Saturday

LISBON: Thursday, Saturday

LONDON: Monday, Tuesday, Wednesday

FRANKFURT: Tuesday, Wednesday, Thursday

PARIS: Tuesday, Wednesday, Friday

ROME: Wednesday, Saturday, Sunday

MILAN: Thursday, Saturday

AMSTERDAM: Thursday, Saturday

BRUSSELS: Thursday, Saturday

COLOGNE: Thursday, Saturday

DUBLIN: Thursday, Saturday

LISBON: Thursday, Saturday

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Meese, Shultz Among Officials Remaining to Be Questioned

By Fox Butterfield
New York Times Service

WASHINGTON — The leaders of the congressional committees investigating the Iran-contra affair have shortened their original list of witnesses to five, among them Secretary of State George P. Shultz, Donald T. Regan, the former White House chief of staff, Secretary of Defense Caspar W. Weinberger and Attorney General Edwin Meese 3d.

Rear Admiral John M. Poindexter is to finish testifying before the committees early this week. Then, the hearings are expected to summon James Radzinski, a former White House official who was in charge of the National Security Council's most sensitive records.

The congressional committee members, who are trying to sift through previous testimony and resolve inconsistencies and contradictions, hope the new witnesses can answer the questions about what earlier witnesses have said.

They are also confronting the most difficult question, which has

been below the surface of the hearings: How much of what they have heard can they believe?

Admiral Poindexter's testimony that he had never told President Ronald Reagan about the diversion to the Nicaraguan rebels of profits from Iran arms sales was consistent with what Mr. Reagan has said.

But the admiral's statements that he repeatedly withheld information from the president, from other White House officials and from Congress raised doubts among some committee members about his credibility.

There also have been lingering doubts about the veracity of several other important witnesses. They include Lieutenant Colonel Oliver L. North, Richard V. Secord, a retired air force major general, and Elliott Abrams, assistant secretary of state for inter-American affairs. Committee members acknowledge that some of those questions may never be resolved.

Mr. Meese is likely to come in for the toughest questioning of the remaining witnesses over his role in

the initial inquiry into the Iran-contra affair.

Previous testimony has shown that he instructed Justice Department officials to begin looking into it soon after a Beirut newspaper, in early November, disclosed the Reagan administration's arms sales to Iran.

But the testimony has also indicated that Mr. Meese did not ask tough questions and gave both Admiral Poindexter and Colonel North what amounted to an opportunity to destroy crucial documents before bringing in the Federal Bureau of Investigation.

Admiral Poindexter said Mr. Meese never asked him who had authorized the diversion of funds to the contras, as the Nicaraguan rebels are known.

Many committee members have said they want to know if Mr. Meese mishandled the investigation or was part of a cover-up.

"I tend to believe it was a case of gross incompetence," said Senator Warren B. Rudman, Republican of New Hampshire, who is vice chairman of the Senate panel.

With Mr. Shultz, the committee members are eager to find out how much he knew about the Iran-contra affair and what he did to stop it.

Mr. Shultz has contended he was kept in the dark on most of the key details and did not know the Iran arms sales were continuing. But Colonel North has testified that Mr. Shultz knew more than he has acknowledged.

With Mr. Regan, who has not figured importantly in any of the testimony so far, the members are curious to know whether a man who took pride in being totally in charge of the White House staff, and who personally selected Admiral Poindexter to be national security adviser, knew about the diversion.

Mr. Weinberger is likely to be asked how much he knew about the arms shipments to Iran, whether he tried to stop them and whether he fulfilled his obligations as a cabinet member. And Mr. Radzinski is expected to be questioned about the destruction of documents in the White House.

After the last witness is heard, the committees will release the private testimony of a number of minor figures who have not been called to appear in public. The committees will then write their report, which they hope to finish in September.

Mr. Rudman said the committees probably will not recommend any new laws to tighten control over covert operations.

"I haven't seen anything radically wrong with the system," he said, "but there was something wrong with the people."

Despite the many discrepancies in testimony from different witnesses, the hearings have answered a number of the questions that committee leaders said they were most interested in before the hearings began.

They have traced the money from the Iran arms sales that flowed into secret Swiss bank accounts under the control of Albert Hakim, General Secord's Iranian-born business partner. Only about \$4 million was diverted to the contras, while Mr. Hakim and General Secord's "enterprise," as they called it, still retains over \$8 million.

The hearings established that the enterprise was part of a private network intended to circumvent congressional oversight over covert operations.

They were told by Colonel North that the diversion began with a suggestion to the colonel by Manucher Ghorbanifar, an Iranian middleman, who offered the plan as a way to make continuing the arms sales more attractive.

They found that, contrary to the Tower commission report in February, which depicted Mr. Regan as having a detached style of management, Mr. Regan was well-informed about both the Iran and contra operations, although apparently not about the diversion.

But in one of their most important findings, the hearings also revealed a deeply felt penchant for secrecy and deception in the Reagan White House, with Colonel North advocating "divulge nothing" and Admiral Poindexter admitting, "Our objective here all along was to withhold information."

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Police officers in London sweeping the spot where an opponent of Ayatollah Ruhollah Khomeini was injured by a car bomb.

Khomeini Critic Is Wounded in London Bombing

Reuters

LONDON — A car bomb attack on a leading opponent of Ayatollah Ruhollah Khomeini, the Iranian spiritual leader, has heightened concern among the police that Iran could react to increasing tension with the West by a violent campaign against its exiled critics.

Amirhussein Amir-Parviz, 63,

was wounded Saturday by a bomb that exploded under his car on a London shopping street.

Mr. Amir-Parviz heads the London office of the Iranian National Movement and was agriculture and development minister under Shah Mohammed Reza Pahlavi, who was toppled by Ayatollah Khomeini's Islamic Revolution in 1979. The movement, based in Paris, is head-

ed by former Prime Minister Shapur Bakhtiar.

"We cannot rule out the possibility that this is the beginning of some sort of terror campaign in London," Commander George Churchill-Coleman, the head of Scotland Yard's anti-terrorist branch, said of the bombing.

A group calling itself the Guardians of the Islamic Revolution took

responsibility for the bombing and said there would be further attacks against "monarchists."

Relatives who visited Mr. Amir-Parviz in the hospital described his condition as stable.

Eleven months ago, the son of an exiled anti-Khomeini activist was killed by a bomb explosion in a video shop near the scene of Saturday's explosion.

POINDEXTER: Panel Divides Along Party Lines on Damage to Reagan

(Continued from Page 1)

from the Iran arms sales to the contras.

Representative Henry J. Hyde, Republican of Illinois, agreed.

"They've shifted the question," Mr. Hyde said. "It used to be, 'Did the president know of the diversion?'"

Now that has splintered out and no smoking gun, not even a holster, has been found, they've moved the issue around that the president ought to have known. I think the president has won a victory."

Mr. Foley said: "There's a myth that this committee was set up to decide whether the president was involved in the diversion knowledge. Now that it's been established that he isn't guilty of knowledge, I'm glad because I think it does give the president an opportunity to function in the last 18 months of his administration."

At the White House, officials announced Sunday that Mr. Reagan would begin meeting regularly with the new director of central intelligence, William H. Webster, following disclosure of the role of his predecessor, William J. Casey, in the Iran-contra affair.

Ben Jarrett, an assistant presidential press secretary, said the meetings with Mr. Webster would occur every two weeks.

Mr. Casey died of brain cancer in May before Colonel North publicly disclosed that the former CIA chief was his closest adviser in the clandestine sale of U.S. arms to Iran and the diversion of the profits to the Nicaraguan rebels, known as contras.

Challenge From Inouye

Senator Daniel K. Inouye, Democrat of Hawaii and chairman of the Senate investigating committee, challenged the believability of Admiral Poindexter's testimony on Friday, The New York Times reported.

But the Republican vice chairman, Mr. Rudman, who has rarely taken issue with Mr. Inouye throughout the investigation, disagreed.

Mr. Rudman said he believed the admiral's testimony that he had not told Mr. Reagan about the diversion to the Nicaraguan rebels of

proceeds from the Iran arms sales.

On Friday, as members of the congressional committees on the Iran-contra affair got their first chance to question Admiral Poindexter, Mr. Inouye declared that the admiral's record of deception raised doubts about whether he was telling the truth now.

Mr. Inouye said: "When we sit here and listen to your testimony in which you tell us that you have either withheld information from or misled or misinformed the Con-

gress of the United States, that you have withheld information from the president, that you have either misled or misinformed the highest-ranking cabinet members of the United States, that you have withheld information from your most trusted deputy, Colonel North, I don't think it is improper for any member of this panel to characterize that testimony as being incredible, mind-boggling, chilling."

When his turn came to question

the admiral, who resigned as Mr. Reagan's national security adviser in November, Mr. Rudman dealt with the matter of credibility only in passing. But he accused the admiral of having seriously damaged the president by withholding information about the diversion from him.

"It's my view," Mr. Rudman said, "that presidents ought to be allowed to create their own political disasters. Nobody else ought to do it for them."

When his turn came to question

AUSTRALIA: Liberal Immigration Policy Leads to Multiracial Society

(Continued from Page 1)

as a multicultural society has meant that new settlers have been helped to learn English, and to gain access to government welfare services.

But they have also been encouraged to retain their own culture, language, religion and traditions. A special broadcasting service provides television and radio programs in more than 50 languages.

Before 1973, the official policy sought to promote assimilation or integration of migrants into an English-speaking, Anglo-Celtic society.

Advocates of nondiscriminatory immigration and multicultural growth say they have helped to make Australia a more tolerant country, enhanced its lifestyle, provided new ideas and skills and stimulated economic growth.

They also maintain that these policies have enabled Australia to develop closer ties with the rest of the world, particularly countries in the Asia-Pacific region.

Mr. Hawke said recently that

Australia had been "immeasurably enriched" by immigration.

Mick Young, federal minister for immigration and ethnic affairs, said that more migrants would help offset Australia's low birthrate, the number of people leaving and an aging population.

"We will probably have a declining, or at best static, population by the middle of next century if we do not increase our intake," he said.

Critics of the government's program claim that it is not supported by public opinion and threatens to create a society divided along ethnic lines.

Bruce Ruxton, president of the Returned Services League in the state of Victoria, asserted that 80 percent of Australians were critical of the policy of attracting immigrants with cultures "exactly the opposite of ours."

However, immigration did not surface as a major election issue. In a poll during the campaign that asked voters what they regarded as the most important political issues, only 12 percent gave any priority to

reducing the number of immigrants and only 6 percent said Australia should reduce Asian immigration.

The main opposition group, the Liberal Party, called for an increase in immigration by attracting people who were skilled, educated and employable.

But the second-largest opposition group, the National Party, said it was concerned that any increase in immigrants could cause severe social problems, including creation of ghettos in cities.

Geoffrey Blainey, a historian and dean of the faculty of arts at the University of Melbourne, said he believed that Australia should reduce immigration to a maximum of 80,000 people a year, with no more than 25 percent from the developing nations.

"In my view," Mr. Blainey said, "some of the Asians, including those of Chinese and Vietnamese origin, are superior performers in education and the economy" compared to European immigrants and native-born Australians.

He said this situation created "envy and animosity, especially when times are tough and immi-

grants are perceived to be getting favored treatment from the government."

Officials played down the criticism, although they agreed that there was a link between racism and economic hardship. They said Mr. Blainey and Mr. Ruxton represented the views of a small minority of the population.

George Papadopoulos, chairman of the Ethnic Affairs Commission in the state of Victoria, said there were pockets of racism in Australia, particularly against Asians, but that it was decreasing.

"I honestly think racism against migrants is diminishing," he said. "But that makes any incidents more noteworthy and distressing when they do occur."

Mr. Papadopoulos said he believed that official encouragement of ethnic cultural expression was helping to forge a new national identity for Australia.

"There will never again be a typical Australian, if there ever was," he said. "We will be many typical Australians, but all equally Australian."

TAMILS: Their Status as Refugees Is Unclear, but They Stay On in Europe

(Continued from Page 1)

Tamils are Hindus. At least 8,000 people reportedly have been killed in communal fighting and acts of terrorism or reprisal over the past three years.

Throughout Europe, the official view seems to be that the Tamils must eventually return to their homeland.

Amnesty International in London says the Tamils' fear of returning is well-grounded.

"Our yardstick is strict," a spokeswoman said. "We say that people are refugees if return to their countries means they are likely to face torture, imprisonment or illegal execution. We certainly include the Tamils in this category."

Speaking privately, one refugee official said most European governments believe the Tamils would be in danger if they went back now, and have related under pressure from humanitarian organizations to let them remain provisionally.

On the other hand, the official said, the governments make concessions tough for the Tamils to discourage a further influx.

"There is a chain of administrative obstacles very nicely created," Mr. Sthawathai said, "so that all

the time you live in fear of deportation without knowing what the future will be."

In the 1960s and early 1970s, France absorbed about 50,000 people from its former colonial enclaves in India, most of them of Tamil origin. Before the present wave of emigration and the clampdown on new arrivals, Britain took in about 20,000 Tamils.

The trouble with the recently arrived Tamils is that some of them are suspected of being involved in the secession struggle in Sri Lanka, and therefore are potential terrorists.

The so-called "Tamil connection" — heretic smuggling from the Indian subcontinent to pay for arms supplies to secessionist guerrillas — tends to make officials suspicious of the entire community.

In recent months, the French police have been arresting Tamils almost daily for trafficking in narcotics, mostly in small amounts, according to diplomatic sources.

In Switzerland, Tamils have attacked local refugee offices, apparently out of frustration over their situation.

Many Tamils have been accused of arriving on false papers.

Pedro de Almeida Viana of the French organization for the protection of refugees, France Terre d'Asile, says the involvement of some Tamils in the secession movement, drug-running or other questionable acts are not reasons to deny the right of asylum to the innocent majority.

"The fact of being a refugee," he said, "is not supposed to be a diploma of security."

Of the Tamils arriving over the past five years, up to 35,000 have ended up in West Germany and about 20,000 in France, according to the Refugee Documentation Center in Paris. The rest are scattered in Switzerland, Italy, Britain, the Netherlands and the Scandinavian countries.

In West Germany and Switzerland, many of the Tamils are confined to "welcome centers" that are reported to be far from welcoming. Their movement is restricted and they cannot work.

In France, lacking the documentation to get stable employment, the refugees have moved to the bottom rungs of the black economy.

They can be seen any day trundling racks of clothes around the garment district, washing dishes,

selling flowers in Metro stations and hawking balloons along the Champs-Élysées. Without proper papers, they cannot obtain apartment leases and end up in squalid housing.

Zia Rizvi, secretary general of the Independent Commission on International Humanitarian Issues in Geneva, said the Tamils were victims of "compassion fatigue" in the West.

"People are tired of seeing so many new groups arriving," he said.

In addition, he said, the administrative structures set up to deal with large numbers of refugees are breaking down under the pressures of emigration from the Third World.

Mr. Viana, who came to France as a refugee from East Africa, said that unless Western governments grant the Tamils the official refugee status that would allow them to work and live in security, they risk creating a huge social problem.

"If the Tamils are forced onto the margins of society," he said, "they will be forced into delinquency. If you can't eat, you steal. That's a biological law."

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A MESSAGE

TO MEMBERS OF THE EUROPEAN PARLIAMENT WHO DIRECTLY OR INDIRECTLY SUPPORTED THE "ARMENIAN RESOLUTION"

June 18, 1987: the European Parliament adopted a resolution entitled "A Political Solution to the Armenian Question"

Briefly this resolution:

- Alleged a genocide was committed against Armenians by Ottoman Turks in 1915.
- Made Turkey's accession to the EC conditional, inter alia, on its acknowledgement of the Armenian genocide and the Kurdish problem.

June 21, 1987: a group of Kurdish terrorists made a raid on a village of 60 inhabitants near the Iraqi border, Pinarçik and killed half of them including 16 children and 7 women.

Are they unrelated?

What happened in 1915?

- Armenians have lived with Turks in peace and harmony almost a millenium. But in 1915 those who lived in the Northeast revolted against the Ottoman Government.
- As comrades-in-arms they collaborated with Czarist-Russia, wartime enemy of the Ottomans, to uproot the Turks from their land where they were the overwhelming majority in the region and to establish a state based on the small Armenian minority.
- Armenian terrorist bands massacred tens of thousands of innocent people in order to eliminate Turks from the territory in question.
- The colonial and imperialist powers of the time supported the Armenians in their efforts.

What did the Ottoman Government do?

Was it genocide?

- It relocated the Armenians from the war zone to other parts of the Empire. But, "concentration camps" did not await them at their destination, neither did extermination.
- Armenians outside the war zone continued to live in peace and security. By definition, genocide is a deliberate act to wipe out an ethnic group in its entirety. Does the European Parliament mean that the Ottomans have invented an uneven regional distribution of genocide?
- It is true that the relocation was carried out under war conditions, with a very poor transportation infra-structure, in an exceptionally rough geography, during a period of epidemics and famine. It is deeply regretted that under these conditions many Armenians lost their lives.
- But the same conditions, apart from the Armenian armed attacks, equally affected the Turkish population whose losses were almost three times as high as those of Armenians. Aren't they considered equal human beings or are Christians "primus inter pares"? Why is it no one utters words of compassion about Turkish victims?
- The European Parliament is taking a bizarre interest in the alleged Christian victims of a historically controversial event. But, despite outcries, it pays lip service to the 2 million Turks suffering brutal oppression in Bulgaria, now, in the 1980's.

Why then are the tragedies of 1915 unjustly labelled as genocide, thereby equating it with the Nazi genocide of Jews?

- It is obvious that the issue is historical, not political. Furthermore, it is intrinsically controversial. It is therefore, incomprehensible, that a political body like the European Parliament can so unscrupulously and lightly reach a conclusion which constitutes a great injustice to the Turkish nation.
- Racism is the driving force of oppression on ethnic minorities, and genocide is its culmination. Without passing a moral judgement, it is a fact that the Turkish culture has never produced racist tendencies, and, as a consequence, no genocidal motivation either.
- The Ottoman Empire was a multi-national state. History bears witness to the traditional tolerance shown by Turks towards different nationalities.
- Charles XII of Sweden, Rakoczi and Kossuth of Hungary took refuge in the Empire from the onslaughts of imperialism towards their countries.
- Ottomans welcomed tens of thousands of Jews who escaped the Inquisition in 1492. Thousands of Jews fleeing from Czarist pogroms and Nazi persecution found haven among the Ottomans or in the Turkish Republic. Among them were Ernest Reuter, Fritz Neumark, Fritz Baade, and even, for a time, Albert Einstein.
- Is it possible to say that other cultures have not produced racism? We know what lay behind the near extermination of Jews, gypsies and invalids, with the active and moral complicity of others. Efforts to exorcise this spirit are still going on. Moreover almost a million Algerians were killed by the French and the entire Crimean Muslim population disappeared in the Soviet Union.

- Furthermore, racist pressures have been resurfacing, even mounting once again, this time against foreign workers who seem to serve as easy substitutes for Jews. This shameful form of violence has, however, been conveniently excluded from the sphere of concern of "progressive forces", including human rights associations.
- In this context, the linkage established in the European resolution between the accession of Turkey to the EC and the acknowledgement of the Armenian genocide and the Kurdish problem acquires an enlightening significance.
- Do the active and tacit supporters of this resolution want to dilute the concept of genocide by qualifying the Armenian relocation as genocide? Do they try to redeem and absolve the Christians, at least partially, by denying the uniqueness of the holocaust and by falsely accusing Turks, as Moslems, of having committed genocide first - against Christians? Do they imply that not they but Turks are racists for they racially oppress the Kurds? In short, do they project their own evil onto us? In all these efforts don't we see the traumatic effect caused by the one and only genocide of our era on the self esteem of the peoples belonging to the same culture?

You should know that:

- Those who unwittingly betray their own guilts have no lesson to teach the Turkish Nation.
- Those who suffer from the guilt of past crimes and current racist tendencies reminiscent of the past should face them in their entirety so that they will not feel compelled to project any part onto others.
- Ironically, the resolution of the European Parliament links the removal of obstacles to Turkey's accession to the EC to the condition that Turkey becomes "European" by confessing to genocide.

- But we are determined to take our place in a Europe which is totally cured of its past afflictions. The best proof to this effect will be for Europeans to be able to live with Turks as their equals.

Consider!

- This resolution will encourage Armenian militants to resume terrorism as they already publicly announced. It also provides justification for their demands for compensation and territory. The responsibility for terrorist incidents will be yours.
- Despite the controversial nature of the long ago events, Armenians have committed terrorist acts against Turks and threatened the European Parliamentarians with terrorism as well. If this is the way to achieve recognition for one-sided misrepresentations, those with genuine grievances may be more motivated to do the same.

The members of European Parliaments should awaken to the truth.

- The fact that the resolution goes beyond the subject matter and includes Cyprus and Turco - Greek relations, reveals the sinister coalition whose only aim is to keep Turkey away from Europe, not to restore historical truth. They try to deceive you by falsifying history. Don't be taken in so easily.
 - This resolution legitimizes the worst form of terrorism in Turkey as seen in Pinarçik. To perforce condemn terrorism in the resolution is no more than a shame which does not relieve anybody of responsibility.
 - This terrorism in Southeast Turkey is not a product of an ethnic oppression but instigated from abroad.
 - Turkey does not have problems such as Spain's Basques, Britain's Northern Ireland, or France's Corsica.
- If you don't mind, Turkey wishes to remain without such problems.

Don't forget!

- Turkey stands between you and the chaotic, war - stricken Middle East, the only stable and strong country in the region.
 - Which returned to democracy after the period of externally instigated terror and anarchy of the late 1970's.
 - Which now enjoys a rapidly growing liberal market economy and is gaining self - confidence in its vigor and ability.
 - Which is a member of all Western Institutions, including the Atlantic Alliance in which it maintains the largest army among European members.
- Don't take Turkey for granted!

In sum!

- This resolution is unacceptable to us. We deplore and reject it. We rejoice at mounting protests against it in the European public opinion.
- Unless the injustice done the Turkish people is corrected and respect for history is restored, the European Parliament will go down in history as an institution which betrays its own ideals and sponsors terrorism.
- We told you the truth no matter how bitter it is for we think that unspoken truth is poisonous. It is time that we act together with a minimum of rationality in an increasingly irrational world.

Turkish Atlantic Treaty Association
Türk Atlantik Antlaşması Derneği

Union of Turkish Parliamentarians
Türk Parlamenterler Birliği

Confederation of Turkish Labour Unions
Türkiye İşçi Sendikaları Konfederasyonu

Promotion Foundation of Turkey
Türk Tanıtma Vakfı

Turkish Industrialist and Businessmen Association
Türk Sanayici ve İşadamları Derneği

Confederation of Turkish Employers' Unions
Türkiye İşveren Sendikaları Konfederasyonu

Union of Chambers and Commodity Exchanges of Turkey
Union of Chambers of Commerce, Industry, Maritime
Commerce and Commodity Exchange of Turkey
Türkiye Odalar ve Borsalar Birliği Türkiye Ticaret, Sanayi, Deniz Ticaret Odaları ve
Ticaret Borsaları Birliği

Turkish Journalists Association
Gazeteciler Cemiyeti (İstanbul, Ankara, İzmir)

Foreign Policy Institute
Dış Politika Enstitüsü

Turkish Press Industry Employers' Union
Türkiye Basın Sanayii İşverenler Sendikası

Economic Development Foundation
İktisadi Kalkınma Vakfı

Turkish Journalists Union
Türkiye Gazeteciler Sendikası

Herald Tribune

Published With The New York Times and The Washington Post

Put Off the Reflagging

This week the Reagan administration will in all likelihood throw away its last slim chance to substitute diplomacy for unwise military operations in the Gulf.

Administration officials think there is little doubt that the United Nations Security Council will vote soon to demand that Iran and Iraq stop fighting, and to dispatch the secretary-general to talk with the parties. Yet before he even arrives, the U.S. Navy is expected to escort the first of the Kuwaiti oil tankers flying new American flags.

Despite the UN initiative, Washington says it has no intention of delaying the escort operation. That is a mistake. Going forward likely means closing the diplomatic window prematurely. Delay preserves the reflagging option should diplomacy fail.

The administration decided on the plan to protect 11 Kuwaiti ships in March. The stated rationale was to preserve freedom of navigation. There were deeper reasons: to tilt to Iraq by helping its ally, Kuwait; to block Soviet help for Arab moderates; to help the Arab world forget the Iran arms-for-hostages fiasco. The thinking was reactive and hasty. Majorities in the Senate and House eventually showed their disapproval. Nonetheless the administration plowed ahead, without looking for wiser alternatives.

The State Department did develop a UN strategy, intended to show that the administration had not forsaken diplomacy. This had a cosmetic look to it, suggesting an effort to send Secretary-General Javier Pérez de Cuellar on a hopeless mission and blame the United Nations for its failure. He is said to share such suspicions and has been noticeably quiet about the plan.

Still, the plan has merit. Probably this

week the administration will press for a cease-fire resolution combined with mediation guidelines for the secretary-general. The cease-fire guideline would please Iraq, which has long called for an end to the war it started. Three other draft guidelines are intended to appeal to Iran: an international tribunal to determine causes of the war, a reconstruction fund and a ban on chemical weapons, which Iraq has used repeatedly.

Mr. Pérez de Cuellar may have an even more effective card to play. The Reagan administration is readying a second resolution calling for an arms embargo against whichever side rejects the cease-fire. That could only mean Iran. Surprisingly, Moscow and Beijing have now expressed interest in this approach, and Paris and London favor tough action. Arms embargoes have never been decisive, but they do hurt, and Iran already has to scrounge for arms.

While administration officials maintain that the UN resolutions hold promise, they still will not even entertain delaying the escort operation. Delay, they insist, would show irresolution and embolden Iranian radicals. Maybe so. But going forward and tilting so sharply toward Iraq would make it almost impossible for Iran to respond to the United Nations with compromises.

Why not wait a few weeks to leave time for the UN initiative to play out? Kuwait can afford to wait for the protection. America cannot afford another costly misstep in the region. Iran is unlikely to accept the UN initiative, but that remains the only alternative. The United States may finally have to pass out flags, and protection, but it would be sensible first to give diplomacy a chance.

—THE NEW YORK TIMES

Taiwan Loosens Up

President Chiang Ching-kuo did not act impulsively in ending martial law on Taiwan. It has been in force for 38 years. So that everybody understands there are still limits, his government imposed a new security law that continues key political restrictions. Nonetheless, the 76-year-old son of Chiang Kai-shek deserves a salute. Taiwan is finally moving from a closed political system, opening windows in a mousy fortress.

In December, Taiwanese were for the first time allowed a real choice in elections. A newly formed Democratic Progressive Party won 13 of 73 legislative seats up for election in a 319-seat legislature, a start in legitimizing party competition. The opposition is small, but scarcely tame. Its leaders have assailed bloated military budgets and the arrogance of an aging dictatorship.

What remains forbidden under the new security law is advocacy of communism and "the division of national territory." The latter is a code phrase to warn the native Taiwanese majority away from a direct challenge to President Chiang and his party.

The end of martial law, however, means the release of political prisoners, no more military trials for political offenses and review of regulations used to stifle press freedoms. Such moves appeal old-guard nationalists, who hoped for support from the president's stepmother, Madame Chiang Kai-shek. Her statement showed that she had lost none of her cunning: "I am fully cognizant of a prolepsis of malicious misreading of my thoughts given to you here."

Wise, Washington is wholly unambiguous in its firm support for Mr. Chiang's efforts. Taipei's actions send a powerful propaganda message to Beijing, where a bitter debate is also under way over "bourgeois liberalization." Indeed the argument transcends ideology. Hard-liners on both sides of the Formosa Strait are alarmed when students demand free speech and free elections. Taipei, usually so quick to call attention to unrest on the mainland, was mute about recent campus protests. The flags are different; the fight is much the same.

—THE NEW YORK TIMES

A Twilight Agenda

A lame duck, Saffire's Political Dictionary pronounces, is an officeholder whose power is diminished because he is soon to leave office. By that standard, President Reagan is no lame duck. He is not scheduled to leave office for 550 days. At the moment, however, to call Mr. Reagan a lame duck is almost an overstatement.

Friday's front page of The New York Times gives some measure of how entangled the administration has become in defending itself, how immobilized it is in one policy area after another, how far removed it seems from governing. One old Reagan hand is indicted for fraud; another, already indicted, announces an interim appeal to the Supreme Court; the Iran-contra committee reacts with skepticism and suspicion to a former national security adviser; the administration fears that chances are fading for a fall summit conference with Mikhail Gorbachev.

The news is not soon likely to improve. Even if the Iran-contra investigations turn up no sour surprises, the hearings will run their course and produce stinging reports. Even without any smoking gun, deep damage has already been done.

For six years President Reagan floated on a lofty cloud of public trust. With the November election and Iran-contra revelations, he was dropped rudely back to earth. Only one American in three believes him when he says he did not know about Iran arms profits going to the Contras. Prime Minister Margaret Thatcher comes to his side, but other foreign leaders display wary courtesy.

And yet no sensible American can wish for 552 days of disarray. Lame duck is bad enough; paralyzed duck would be catastrophic.

strophic—and needlessly so. For even with all his troubles, there is enough time in the next year and a half for the president to labor for some twilight triumphs, two in particular: arms control and deficit control.

An agreement to ban all but the shortest-range missiles from Europe is within reach. Although the talks have slowed down, Mr. Gorbachev has shown himself willing to make concessions. He still has every reason to want the signature of a conservative president on an arms control pact. Although Congress will stare hard at the verification provisions, it remains quite likely to approve. As for the budget deficit, it has been reduced a fair amount this year and may be cut by \$30 billion more next year. But the nonpartisan Congressional Budget Office forecasts that it will climb back to almost \$200 billion in fiscal 1989. Mr. Reagan must recognize that unless he quickly alters course he will make a prophet of David Stockman. His first budget director once forecast \$200 billion deficits "as far as the eye can see."

The president can now continue to rap-sodize about a balanced budget amendment, which will not happen and would not work anyhow. Or he can finally go to work. There are three things to do, the same three there have always been: Restrain defense spending, cut entitlement programs, particularly Social Security and farm subsidies, and collect more revenue.

That means tax cuts, a word that sends Mr. Reagan up the wall. Better that, in this twilight time, than down the tubes. Deficit control and arms control can bring some achievement to his last chapter.

—THE NEW YORK TIMES

Other Comment

What Should Others Think?

As the United States continues its singular tradition of hanging its dirty laundry out in public, the rest of the world watches with emotions ranging from curiosity and incredulity to begrudging admiration. Although not many world leaders would say so publicly, one of the United States' greatest strengths is its willingness to publicly discuss its weaknesses. That has been particularly true during the most recent round of hearings in which Oliver North and John Poindexter

have eloquently defended their actions. [But] these two men, and a wide-ranging cast of characters scattered around the globe, have made a lot of people wonder just who is really in control of U.S. foreign policy and whether they can believe what the U.S. president is saying in public. And what are the leaders of other countries to conclude from all of this? Can they still believe that what- ever sensitive arrangements they might find it necessary to make with the United States will not become tomorrow's headlines?

—The Jakarta Post

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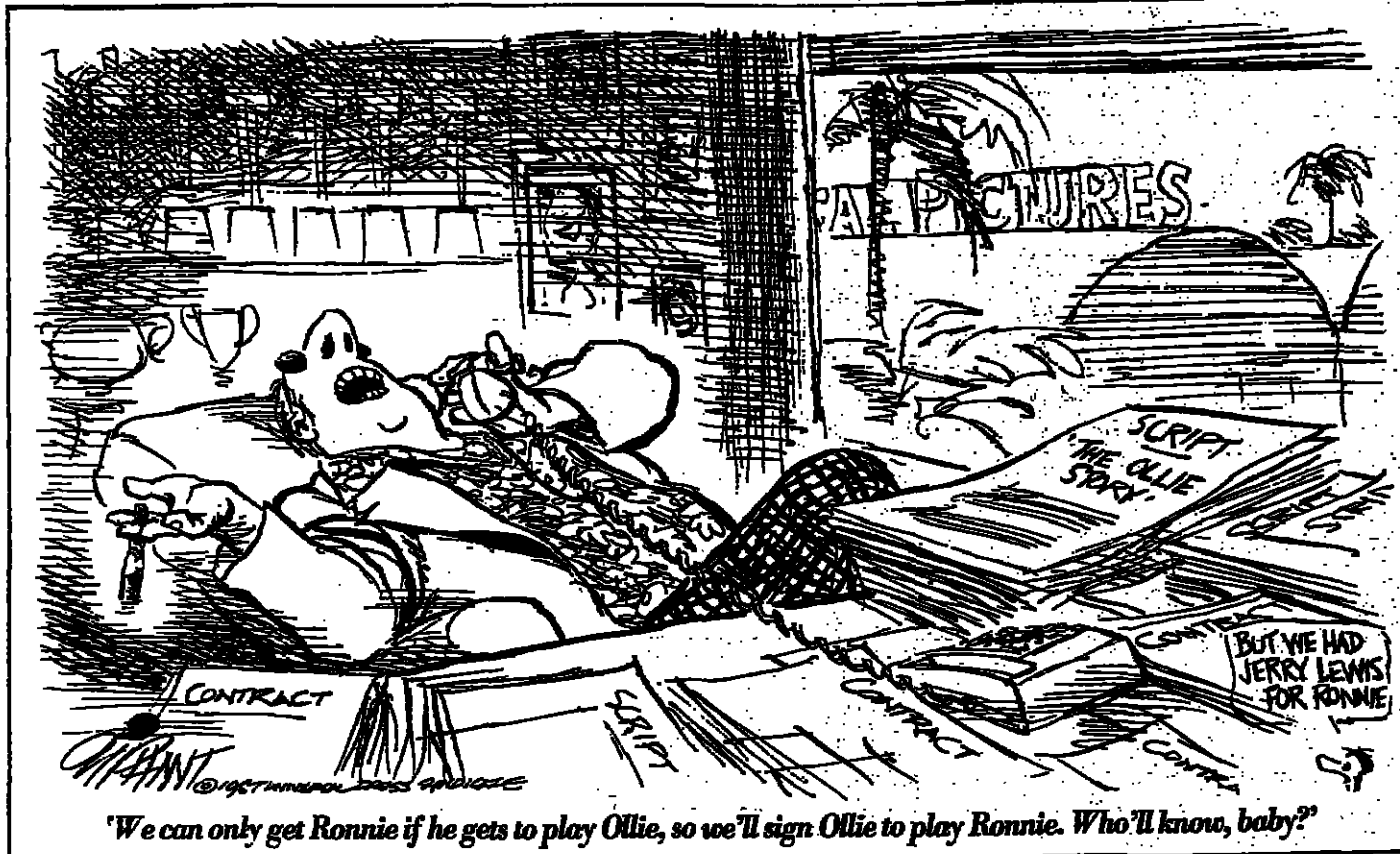
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OPINION



"We can only get Ronnie if he gets to play Ollie, so we'll sign Ollie to play Ronnie. Who'll know, baby?"

Chile: Pinochet and His System Both Have to Go

By Cynthia Brown

WASHINGTON — A year ago, Chile made the headlines that South Korea is making now. Demands for democracy—specifically, constitutional reform to permit open and direct presidential elections—led to a general strike, the murder of a young man and some evidence that the military was being forced to reconsider its policy of repression and political exclusion. In Chile's case, hope for change was reinforced by United States officials' calls for a swift transition to democracy.

Now the accused killers of Rodrigo Rojas, the United States resident burned alive by soldiers last July in Santiago, are absolved or free on bail. Dozens of other killings and extreme cases of torture have taken place since last July. The demonstrations that culminated in last year's general strike have been stifled by a four-month state of siege and, more recently, by selective repression and the opposition's own disagreements.

The Reagan administration, meanwhile, has made plain, by declining to vote against international credits to Chile, that it will not exert the pressure that matters most to Augusto Pinochet, even though Chilean centrists fear such pressure. More than ever before, the administration is courting the armed forces, rather than the civilian opposition, as the key to a controlled "democratic transition."

The Reagan administration follows the logic that only the military can upstage General Pinochet's plan to become the sole candidate in a presidential plebiscite expected late next year or early in 1989.

That logic has some merit. If the armed forces commanders select him, General Pinochet can expect to win the yes or no vote. He is orchestrating voter registration for his supporters while counting on the new electoral system's costs and obstacles to discourage opposition voters' registration. He can advance the plebiscite's date to truncate the period for opponents to comply with the cumbersome requirements for registration. If all else fails, the electoral system is structured to invite fraud.

By Reagan administration logic, the trick is to convince the junta to select another candidate and lead the country into the post-Pinochet period while remaining in charge behind the scenes. Some military leaders apparently concur; in early June, two of the four junta members said they were leaning toward a civilian candidate.

But the administration may not take General Pinochet sufficiently into account. He has handled military dissenters before. He can create an atmosphere of fear, as he did after the two junta members' statements, and, many believe, in response to them. In an 18-hour period in mid-June, the security police killed 12 people. One operation left seven men and women dead together; the security police called it a shoot-out with terrorists, but physical evidence and witnesses' accounts point to executions.

As a commander who claims to combat terror-

ism, General Pinochet can count on the military's reflexive loyalty. This, combined with the administrative and political tools at the general's disposal, may be enough to maintain military cohesion.

The Reagan administration's logic is flawed in another sense as well. If not accompanied by strong support for the civilian opposition's demands for free elections and constitutional reform, U.S. reliance on the military encourages its entrenchment.

Even if the armed forces jettisoned General Pinochet, the plebiscite is to be a tightly controlled process, and the constitutional plan for future government is what General Pinochet calls "protected democracy," with the military retaining long-term indirect control, elected representatives possessing little power and permanent exclusion of the left from the electoral process.

The Reagan administration does not quarrel with the plebiscite, or with the military's plan for future government. Its logic leads, indeed, to the Pinochet model without Pinochet.

A year ago the Chilean democratic movement had high hopes for U.S. support, and Washington's statements helped soften the military's position. It should not require upheaval, as in South Korea, to convince the Reagan administration to commit itself fully to free elections.

The writer is associate director of Americas Watch, a human rights organization. She contributed this column to The New York Times.

Turkey: An Old Police Habit of Torture Persists

By Jeri Laber and Lois Whitman

NEW YORK — Turkey's chief of police, Saffir Arkan Beduk, recently made a plea on behalf of torturers. Referring to policemen convicted of using torture, he acknowledged that "small incidents have occurred," but called it "a pity" that "some of our friends have been punished" since they "worked with good will and merely made some mistakes."

She finally confessed to whatever her torturers demanded. So did Zeynep, who was detained some days before Nuhman and, during torture, implicated Zuhra, a casual friend.

It has been almost two years since martial law was lifted and a series of reports appeared in the press and in the National Assembly concerning torture by the police. This attention, plus the government's assurances that it was punishing torturers, aroused hopes that an age-old practice in Turkey might be brought to an end at last.

The present government boasts that it is the first in Turkish history to have admitted to torture and to

have ended it. According to the minister of justice, legal action has been taken against some 1,500 torturers, and 100 have been sentenced.

But torture is difficult to prove. Victims are blindfolded so that they cannot later identify their torturers. There are usually no sympathetic witnesses in the torture chamber and people who are released from custody are often afraid to press charges for fear they will be taken in again.

Torturers use techniques designed to leave no traces—hence the popularity of electric shocks; and doctors assigned to examine torture victims are appointed by the state. Thus the procedures that authorities have established for bringing complaints of torture usually do not work, except in extreme cases where the victim has

been permanently damaged. A newly formed Human Rights Association in Turkey has documented 169 deaths from torture since 1980. The list includes 36 "suicides" in police stations, 30 of which occurred in the last 18 months. During a visit to Turkey, we received numerous reports of recent torture, including one of a 5-year-old boy given electric shocks in front of his parents in order to force them to "confess."

Torture in Turkey takes place mainly in police stations during an initial period of investigative detention. Under present regulations, the Istanbul police can hold detainees for 15 to 30 days of interrogation without giving them access to relatives or lawyers.

"If I had asked to see a lawyer," Nuhman said, laughing at our question, "they would have told me I'd been seeing too many American movies."

If the Turkish government is really intent on eliminating torture, it should approve a bill, being introduced in the legislature for the second time, that would guarantee detainees immediate access to a lawyer. It should enact further legislation that would shorten the period of detention, allow victims to be examined by doctors of their choice and dramatically increase the penalties for torturers. Above all, the government should demonstrate, by action, its will to end torture forever.

What would happen if the president or the prime minister were to drop in unannounced one day at the infamous Gayrettepe police station? Perhaps they would interrupt the torturers in action. They probably would find their equipment: leather blindfolds, cattle prods, rubber tires, poles for suspending people, straps for tying them, clubs for beating them.

Such evidence would disprove once and for all the myth that torture has been ended in Turkey since from an occasional act of "excessive zeal." It would put the police on notice that the government meant business. It might ultimately bring truth to the fiction that Turkey has eliminated torture.

Jeri Laber is executive director of Helsinki Watch, a human rights organization. Lois Whitman is a consultant to Helsinki Watch. They visited Turkey last month and contributed this column to The New York Times.

Pretenders, Cheats and Borrowers

By James Reston

WASHINGTON — For the first few days of John Poindexter's testimony, the audience at the Iran-contra hearings was silent, even solemn. But by the end of the first week, when he explained that misrepresenting the truth was no "lie" and that concealing the facts was no "cover-up," people began to laugh.

Later they began to ask how this whole incredible series of events, many rackles of mind of deceit and a lot of plain stupidity, could have happened. It takes some sorting out, but here is a try.

Clearly the administration was driven by the fear that if it did not strangle communism in Nicaragua (population 2.9 million), the Russians would establish a bridgehead in the center of the Western Hemisphere and the virus would spread. "Our credibility would collapse," the president said, "our alliances would crumble and the safety of our homeland would be in jeopardy."

The other countries of the hemisphere did not share this apocalyptic view, nor did the Western allies or Congress, which refused to vote the money to carry it out. But it was shared by Lieutenant Colonel Oliver North, the action officer who testified that if Congress did not support his covert operations, the United States might have to send its own troops into the war and build the equivalent of a Berlin wall along the Rio Grande to keep the refugees out.

So the end of the administration's policy was clear enough, and the means to this end were to arm the Contras by secret covert action despite the prohibition of Congress and the questions of some members of the cabinet. Loyalty to President Reagan rather than to the law was the first consideration.

Admiral Poindexter believed that the president's general policy was to help the Contras demonstrate Nicaragua. He decided, without asking the president, that Mr. Reagan would approve the diversion of Iran arms sale money to the Contras. The White House said later that the president would not have approved.

The admiral's approval dominated Colonel North, who said he would go to a corner and stand on his head if the president instructed him to. So the explanation begins with ideology and loyalty not to the law but to the president himself.

This was justified merely by saying that the Boland amendment did not apply to the staff of the National Security Council, and second, that the president did not know that the NSC was involved in covert operations. It was all right, according to this argument, for the administration to mislead Congress and even to shred the critical damaging evidence in the presence of the Justice Department's "investigators."

It should have been Meese at the

Justice Department, where he sometimes gave advice to Admiral Poindexter and Colonel North as attorney general and sometimes as "the president's friend," and gave very little evidence of zeal in seeing that the laws were carefully executed.

The absence of continuity at the NSC could also have contributed to the disaster, since Mr. Reagan has had five different NSC chiefs in his first six years in office, not to mention Bill Casey, director of campaign manager, at CIA, director and private adviser to Colonel North.

It may be relevant that the secretaries of state and defense protested "vociferously," according to Admiral Poindexter, against the arms-to-Iran deal, and were "out of the loop" on the contra deal; and also that not a single foreign service officer trained in Middle East or Central American affairs took part in this whole adventure.

Put part of the blame, then, on the valor of ignorance, some of it on the arrogance of presidential popularity, and maybe the rest of it on the myth of the Reagan doctrine which insisted that American money and arms can unilaterally solve the complicated and tormenting social and economic problems of nations beyond U.S. control or understanding.

Maybe the tragedy began first with the corruption of language. "Patriotism" belonged mainly to those supporting the president's policies. "Deniability" was more important than responsibility. "Findings" could justify covert operations before they were "found." For the president, the buck doesn't stop here but there. "Lies" were more important than lies—and anyway, lies are merely "terminal inaccuracies."

In the end it was at least an odd way to celebrate the 200th anniversary of the Constitution of the United States, which assumed a sharing of powers and responsibility and trust between the executive and the legislature. But you shouldn't be surprised. This administration has been living a life of pretense, cheating and borrowing for more than six years. Maybe that is the best explanation of the whole sad affair.

The New York Times

An Obsessive Concern for Secrecy

HISTORIANS are likely to find that the Iran-contra affair was a disaster rooted in obsessive preoccupation with secrecy. Ronald Reagan brought to the White House a mistrust of the media that had many sources. He resented Hollywood coverage of the breakup of his first marriage. He believed that Republican presidential candidate Barry Goldwater was unfairly treated by the media. He shared the view that the Vietnam War had been lost on the home front, largely because of uncensored reporting. His view of the proper wartime role of the media was formed during World War II, when "loose lips sink ships" and the press accepted censorship.

He has rarely been outraged by scandals in his administration, but he is invariably angry at media accounts of them. His basic view is that anything that happens behind the closed doors of the White House is his business.

The web of secrecy cut him off from political advice. "There was no one in there to say we can't swap arms to Iran for hostages after what we did to Jimmy Carter on this issue," said a longtime Reagan friend.

—Lou Cannon in The Washington Post

The Politics Of Money: Déjà Vu?

By Jim Hoagland

PARIS — A new projection by the Congressional Budget Office that shows the federal deficit rising to \$198 billion in 1989 is a body blow to the monetary strategy that Treasury Secretary James Baker has been pursuing for the past six months.

Mr. Baker has been skillfully buying time, waiting for the improvement he has predicted in the American trade and budget deficits to blunt protectionist pressures at home. They would also encourage Japan and West Germany to take increasingly larger steps to lead international growth and help revive the American economy.

Mr. Baker's belief that the deficit would be no higher than the \$161 billion that the CBO originally projected for 1989, and might in fact be lower, has been an article of faith for him in persuading others to cooperate with U.S. economic policy.

Throughout the spring and early summer, he assured the European and Japanese that the United States was making significant progress in curbing its financial profligacy. Cutting \$40 billion out of the deficit in two years, he said in international conferences in Paris and Venice, was nothing to sneeze at.

Moreover, he committed the United States to deficit reductions of that magnitude as part of the Louvre monetary agreement of last February. West Germany and Japan demanded that as the price for their agreement to stimulate their economies.

But the CBO's new deficit estimate, based on lower than expected tax revenue, higher inflation and rising interest rates for 1989, leaves Mr. Baker without a paddle for his policy canoe, as America's economic partners ponder continuing cooperation with it under the Louvre agreement. The new 1989 deficit estimate is nearly twice the \$108 billion target that the Gramm-Rudman-Hollings legislation would have mandated and that the administration has adopted as its goal.

The CBO projection has been followed by figures showing the trade deficit for May widening again, creating new doubts in financial markets about the dollar. It is enough to make some European bankers cite that American folk hero, Yogi Berra, and ask if we are seeing déjà vu all over again. They recall the summer of 1979, when a new U.S. Federal Reserve chairman had to face a precipitous decline in the dollar as his first crisis.

Under the urging of West Germany's Karl Otto Pöhl and other central bankers, Paul Volcker responded then by forcing the Carter administration to accept monetarism, in the form of high interest rates, as its central policy mechanism. He saved the dollar, tamed inflation and destroyed Mr. Carter's chances in the 1980 election.

That sequence and Mr. Volcker's recent resignation may offer some insights into the challenges that his successor at the Fed, Alan Greenspan, could face if he is in fact heading back to the future this summer.

It seems clear that Mr. Volcker would have stayed for a third term only if President Reagan had made a strong personal request for him to do so—the kind that would have included a firm pledge to back measures as draconian as the ones Mr. Volcker used eight years ago if they were needed.

Did Mr. Volcker foresee that significant new interest rate increases and other squeezes would be needed in the domestic economy as time ran out on Mr. Baker's dollar strategy to avoid a real dollar crisis abroad?

Obviously, he isn't saying. But he could not have relished the prospect of fighting with the economy and with a White House running an election campaign at the same time.

Mr. Baker's close relationship with Vice President George Bush presents him with a challenge as daunting as Mr. Greenspan's. Mr. Baker must begin now to fuse his macroeconomic mandate at Treasury with his micro-political mission of helping Mr. Bush get the nomination and win the election. Nothing is more vital to Mr. Bush's chances than having the domestic economy appear to be humming smoothly in the first nine months of next year. He can then appeal to voters to let an experienced Republican team continue to manage a Republican-inspired economic expansion. Volckerian responses are to be avoided at all costs in this scenario.

But as in 1979, the strength of the dollar and the weakness of the world economy interact with the domestic choices facing the United States. Mr. Volcker showed wisdom in acknowledging that simple truth then. Inheriting that responsibility now, Mr. Greenspan will be, along with Mr. Baker, the Washington whom foreign political and financial leaders are going to be watching most closely in the next few months.

The Washington Post

IN OUR PAGES, 75 AND 50 YEARS AGO

1912: Rumors in Rome

ROME — Like a bolt from the blue, rumors [on July 19] that Italian warships had attacked the forts at the entrance to the Dardanelles. Up to the present, however, the government is without any news, and official circles scout the rumors as wildly improbable. For some time past, the Italian government has scrupulously refrained from any military operation which might provide Turkey with a pretext to close the Dardanelles and say to the European powers: "It's Italy's fault." But even if Italian vessels have gone close to the entrance, it is absurd to imagine that they had any intention of forcing the Straits. "If the Dardanelles really have been closed," a naval officer of high rank said, "the Turks are either bluffing or are trying to blackmail Europe."

1937: Battle for Madrid

MADRID — The battle for Madrid which was engaged yesterday [July 18] in the triangle formed by the Coruña and Avila roads, northwest of the capital, was resumed with renewed fury at dawn today, and was still in progress late tonight, with neither side making any headway. The battle, which both the Republicans and the Nationalists describe as the fiercest and bloodiest encounter since the beginning of the war a year ago, has already resulted in about 7,000 casualties. It is being fought with the most modern and murderous types of weapons, with which the Nationalists and the Republicans appear to be liberally equipped. According to Republican sources, the Nationalists have moved down large contingents from the Biscay front, including Moots, Italian and German troops.

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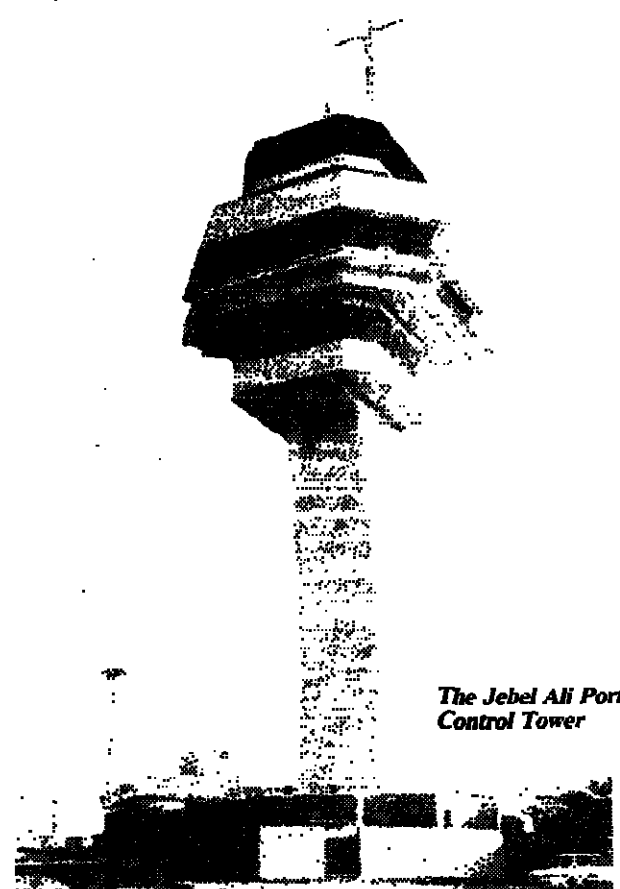
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The Jebel Ali Port Control Tower

Jebel Ali Free Zone Becomes Market Focus for 1 Billion People

NEW doors constantly are being opened to accommodate the expanding activities of the Jebel Ali Free Zone Authority, claims Ed Butler, FZA's recently arrived marketing director. Since the FZA was created just two years ago, more than 130 companies from all over the world have taken advantage of the incentives and attractions offered to them. Following the completion of the port with its 69 deep-water berths and the development of major industrial projects including an aluminum smelter, a gas processing plant and desalination and power plants, Jebel Ali now heralds a new era in the development of Dubai, a member of the United Arab Emirates.

Sometimes called the 'Hong Kong of the Middle East', Jebel Ali and Dubai are geographically located at the crossroads for trade between Europe and the Far East.

Sultan Bin Sulayem, chairman of the Jebel Ali FZA, sees the zone as the ideal midway point between East and West. "We also offer much more than the existing concessions in Dubai," says Mr. Sultan. Nevertheless there is close cooperation with Dubai, often dubbed the "City of Merchants," where the local Chamber of Commerce and Industry plays an active role in fostering the development of the Zone with the collaboration of local traders and businessmen. There are also close links with the newly extended nearby Dubai International Airport for the expanding sea-air cargo business.

Speaking just after returning from a promotional tour to Japan and the Far East, Mr. Butler said that after meeting

with trading companies, banks and manufacturers he felt that there was a "real educational job to do out there."

And the picture is certainly changing as the FZA, which includes the largest man-made port in the world, gears up for the second-semester rush of applications.

Although interest may still be slow in the Far East, Mr. Butler says that already three Japanese groups are to use Jebel Ali. Mitsui OSK shipping line will use the port for bunkering; Mitsubishi Motors and its local agents, Al Habtoor, are doing predelivery checks and fitting some ancillary equipment. There are possible plans to import vehicles in kit form and reassemble them in the Free Zone. A third Japanese venture involves a leading trading company which is establishing itself in the Zone.

These Japanese companies are joining the long string of internationally known companies such as Cleveland Bridge, Rank Xerox, York International, Black & Decker and ARCO, among others, who have moved into the Zone. One of the latest major arrivals in the last year has been the oilfield services and supplies company, McDermott, which has taken up a 130-acre site. Previously it occupied a large area toward the head of Dubai Creek, which is now being developed as a city amenity site with offices, public buildings and landscaped waterside gardens.

The latest group of arrivals includes 26 garment and textile manufacturers, who among them are producing several thousand pieces of clothing a month. The "Made in Dubai" label now adorns exports to many parts of Europe and North America. Jebel Ali has become so popular with

the textile trade that the FZA has had to put a temporary hold on further applications.

"We are really confident about the development of further manufacturing units," says Mr. Butler, who believes the FZA can offer advantages that are unique in the world.

"The decree forming the FZA two years ago has really opened up this place for new business," Mr. Butler says, adding that official permission has been given to form offshore banking units and insurance companies within the Zone. Three banks, the British Bank of the Middle East, the National Bank of Dubai and United Gulf Bank, are said to be interested in starting operations. Some already have retail facilities in the Zone.

Mr. Butler says: "We are not quite sure how banking will be developed and we are currently studying the position."

If offshore companies and banking units are allowed to operate in the conventional manner from within the Zone, a new line of activity could be opened up, especially for offshore companies. They could then take advantage of the physical as well as fiscal incentives offered to operators by the FZA.

The Dubai government has poured well over \$2 billion into the Jebel Ali Free Zone, which much of the world's freight industry now regards as a key transshipment point.

Mr. Butler is quick to underline this factor. "Yes, of course distribution of freight is one of the main reasons why so many companies see the value of Jebel Ali. But it is also a very cost-effective place for assembly and manufacturing operations."

Mr. Issa Baluch, of Gulf Express Freight, which was one of the first freight-forwarding and handling agencies to establish an office in Jebel Ali, emphasizes the importance of the distribution factor.

"It is now becoming more popular as a transshipment center and we are handling cargoes, often very specialized ones such as electric cables, electronics and spare parts, which go as far afield as Zimbabwe and the Sudan."

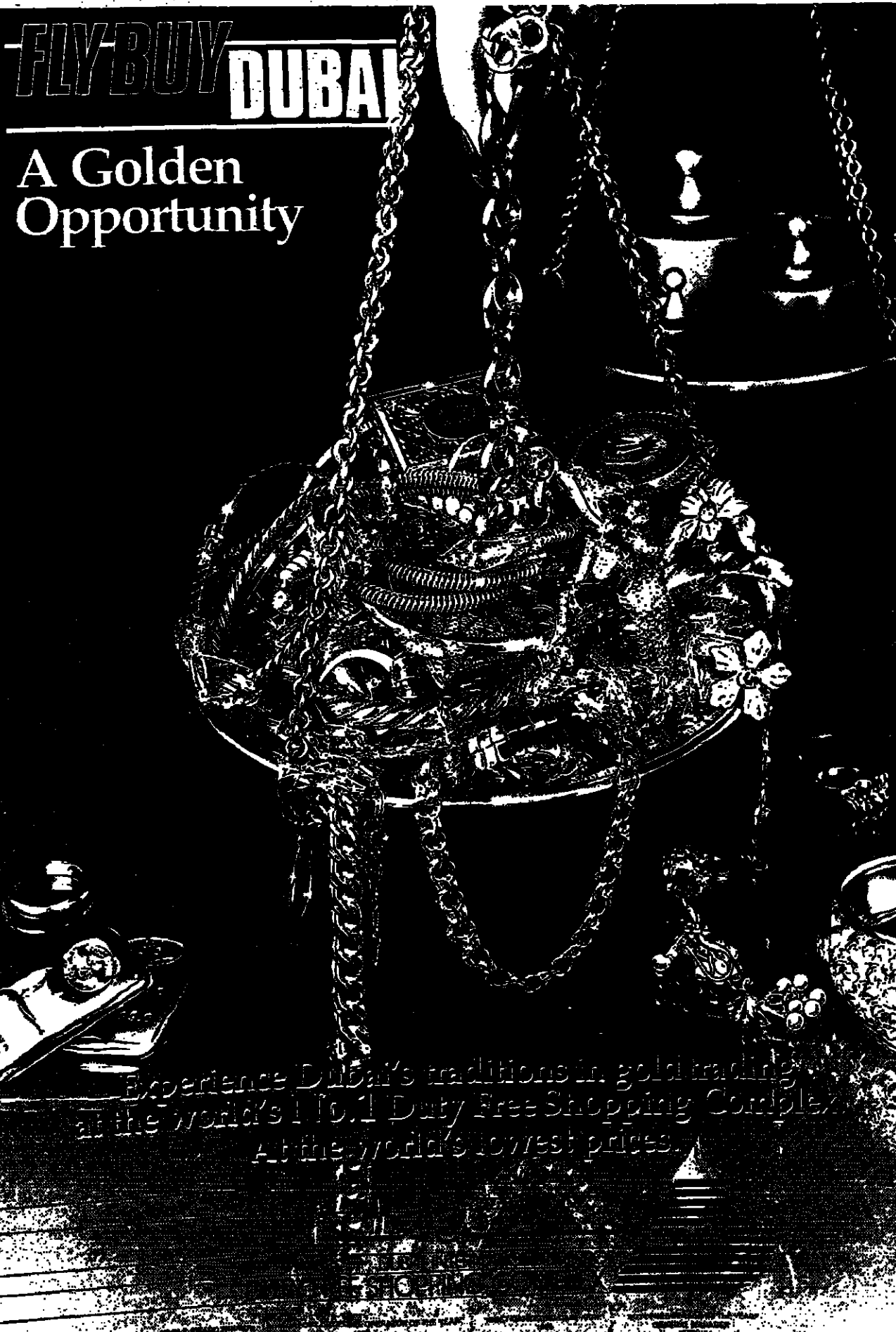
Close cooperation from the FZA and the absence of red tape are singled out for favorable comment by Mr. Baluch. He believes that any company wanting to do business with members of the Gulf Cooperation Council would find Jebel Ali the ideal distribution center (the GCC members apart from the UAE are Bahrain, Kuwait, Saudi Arabia, Qatar and Oman).

Another important advantage of Jebel Ali cited by Mr. Baluch is that a trader or his agent has to deal with only one authority, the FZA, which handles everything from customs duties to food and health inspections.

"There is always a very reasonable attitude taken by the authorities," he adds.

One of the biggest projects being completed alongside one of the jetties is a massive grain elevator storage system, which is thought to be one of the largest in the Middle East. Twelve silos are being built and each one will be able to hold 10,000 metric tons of grain. The silos will be used as a central grain distribution center for the region and are expected to be fully operational by the end of the year.

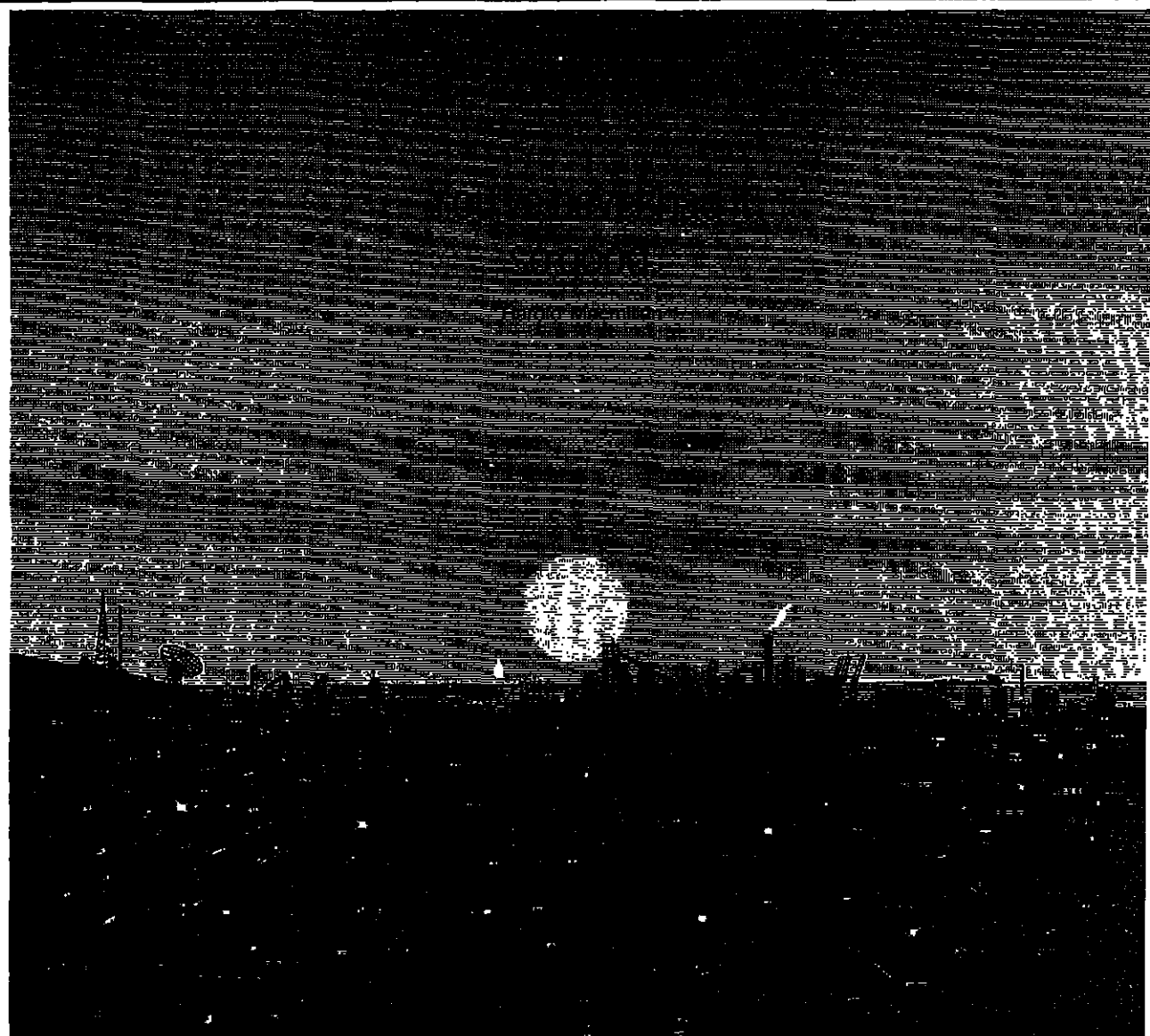
(Continued on page 8)



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To find out more about these freedoms contact Mr. Edward Butler at Jebel Ali.

Jebel Ali Free Zone Authority

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Tel.: Jebel Ali 56578, Telex: 46580 TPAJA EM
Cable: PAJADUB UAE

THE PRIDE OF DUBAI

Increased Production, Expanding Industry

THE whole Jebel Ali area has been declared a free zone and already contains more than 70 manufacturing companies. The first basic industries to move in while the port was being constructed during the late 1970s and early 1980s were Dugas, Dubai — the aluminum smelter — and Dubai Electric Company, with its power station. They were later joined by 70 other companies involved in a wide variety of manufacturing and assembly operations, from shirts to potato chips and aluminum extrusions. Jebel Ali is now rapidly becoming the focus of industrial activity in the United Arab Emirates.

As one approaches the Free Zone Area along the main highway from Dubai, the eye is first caught by the gleaming silver painted towers, pipes and gantries of the gas and smelter plants. Smudges of smoke hang low in the mid-afternoon sun and there is the odd flicker of orange flame from the Dugas processing plant waste stacks.

Inside the port are the steel-skeleton frames of oil platforms and drilling rigs towering skyward, while streams of container trucks enter and leave the terminal.

Intercity Engineers moved in two years ago with a galvanized fabrication plant, and now serves a growing list of local customers. One of the newest and biggest arrivals is McDermott, the oil-field supply group, which recently left its creek-side site in Dubai. McDermott occupies one of



Sultan Bin Sulayem, Chairman of the Jebel Ali Free Zone Authority Board.

the largest areas in the Zone — 130 acres — and employs about 2,000 workers, engineers and technicians.

It has already manufactured and launched its first Waterlood-3 jacket (a steel jacket put around a drill) from its new yard for the Dubai Petroleum Company, which has installed it in the southwest Fath oil field.

McDermott, in Dubai since 1970, has played a major role in oil-field development for the UAE. Its activities are not limited to servicing local demands. Since moving to Jebel Ali it has also produced oil-well structures for use in India.

DUCAB, a joint venture with Britain's BICC, is a leading electric cable maker. It has an integrated cable-making plant, unique in UAE, that produces power transmission, control and building cables from copper and aluminum rods. More than 180 different types of cables are produced.

Since manufacturing began in 1983, production has

increased by over 250 percent. Last year cable output totalled 26,500 kilometers (16,500 miles), with sales of over 60 million dirhams (\$16 million).

Record production and sales were attained by Dugas, which has one of the most up-to-date and efficient aluminum smelters in the Middle East. In spite of a global recession in the aluminum business, total production rose to a record high of 155,000 tons. Capacity will be increased to 177,000 metric tons a year by 1990 when new technology by Kaiser Aluminum Technical Services will be fully operational. The highly computerized complex operates 24 hours a day with a staff of only 1,300.

Dugas's main customers are the United States with 73,000 metric tons, Japan with 35,000 tons and Taiwan with 12,000 tons. Local consumption within the UAE amounted to just over 7,600 metric tons. Last year was the first time that substan-

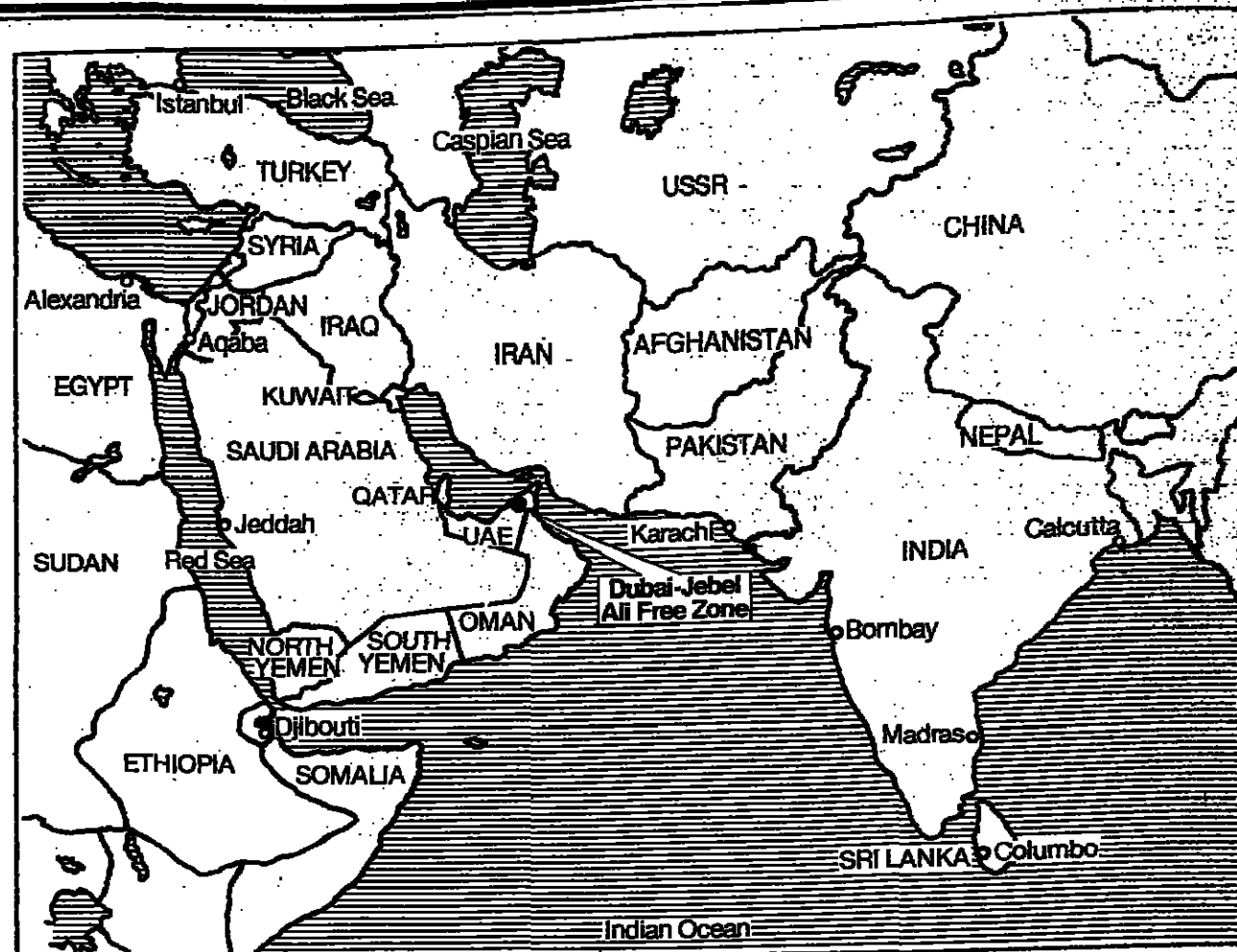
tial quantities had been bought by the UAE. The rest of the production went to Portugal, West Germany, Belgium and Oman.

Fuel for the smelter is derived from Dugas and is used to generate electrical power for the smelter. Waste heat from the smelting operation and power station is used for desalination. This is a vital part of Dubai's operation, which in effect is a combined smelting, power and desalination process, probably the only such system in the world on this scale. Desalination is vital for Dubai, which takes about 24 million imperial gallons a day from the plant. Maximum output of drinking water is about 32 million gallons a day during peak periods.

The primary source of energy for the development of Jebel Ali, Dugas is one of its key institutions. Since 1980 it has also become a major exporter of liquefied petroleum gas. Last September marked the production of its five millionth metric ton of petroleum products, most of which go for export.

The newest development at the plant has been the direct pipe linking Dugas with Sajaj gas plant in Sharjah. The 70-kilometer pipeline is now handling 100 million cubic feet of gas a day, providing abundant fuel for Dubai Electric Company's power plant and for the smelter plant. Before the pipeline was laid, the gas was being flared off at Sharjah as there was no use for it.

Dugas also provides LPG for the Emirates Gas Bot- (See Industry, page 9)



Potential market focus for Jebel Ali Free Zone.

(Continued from page 7)

Last spring the FZA opened a new block of offices for incoming companies. Before the official opening, 26 offices, half those available, had already been signed up.

"We feel confident that the rest of the space will be taken up soon and we are now planning a second two-story block," says Mr. Butler.

Besides warehousing and storage facilities, the FZA also provides "shell" buildings for manufacturing units. The FZA is proud of the way it deals with appli-

cations for licenses from companies wanting to come into the Zone. A rapid turnaround is guaranteed.

One man who is more than pleased with the way the FZA has cooperated is one of the textile manufacturers, Imran Ahmed Khan, director of the Jebel Ali Textile Mill, a subsidiary of a British company.

"It was the complete absence of red tape and total cooperation that led us to Jebel Ali and we are more than satisfied," Mr. Khan says.

Jebel Ali Textile Mill, which is housed in one of the shell units, now employs

more than 100 workers. Production is rapidly expanding, and by the end of the year Mr. Khan hopes to be producing nearly 750,000 metric tons of garments for export to Britain and Europe, and possibly to North America.

Mr. Khan was one of the first textile operators to move into the Zone. He was quickly followed by about two dozen other companies in the garment trade, mainly from Pakistan and India.

Jebel Ali now has about 70 working manufacturing operations, and, according to Mr. Butler, there are several other firm prospects in the

pipeline. After a slow start-up, the wheels of industry are now beginning to turn more rapidly, especially since the formation of the FZA two years ago.

The main incentives — 100-percent foreign ownership and single sponsorship for workers by the FZA — have been key factors in promoting the port and Free Zone.

Mr. Baluch, of Gulf Express, sums up a general view on Jebel Ali: "The FZA is very successful and people can only ask, 'Why wasn't it done sooner?' We hope everything will continue as it is."

FZA Offers Minimal Red Tape and Maximum Incentives

THE Free Zone Authority offers investors a total package of incentives and has also reduced bureaucracy to a minimum. Its geographical position — 8,000 sea miles from South Korea, 6,500 from Hong Kong, 3,500 from East Africa, 7,500 from Central Europe and 10,500 miles from the U.S. East Coast — makes it an ideal distribution center for a wide range of goods that can be transhipped by air or sea, or manufactured within the free zone area.

The other main incentives are: 100-percent foreign ownership; 100-percent re-

patriation of capital and profits; no corporation taxes for 15 years; no personal income tax; no currency problems; no recruitment problems; cheap energy; efficient communications; attractive working environment; and full support services.

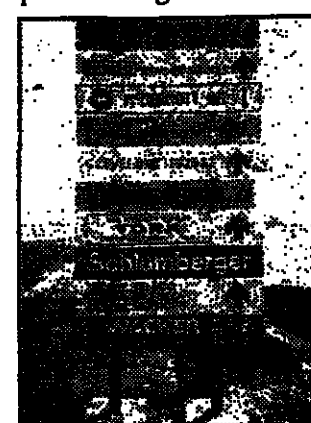
Companies wanting to operate within the Free Zone are granted two types of licenses — general or special. The general license is designed for companies wishing to operate or do business within the Jebel Ali Free Zone area itself as well as in the rest of Dubai and the United Arab Emirates. Only companies that com-

ply with existing municipal and federal legislation regarding partnership rules and immigration controls may be issued a general license.

The special license is for those wishing to operate within the Zone, but not within the UAE as a whole. Companies with a special license are treated as foreign companies and are freed from local and federal operating restrictions. Those operating under special license do not need local partners, and may do business in the UAE provided they use a local agent. Employees are

forbidden to work outside the Free Zone.

A company operating under special license benefits from simplified immigration legislation. For instance, a company requiring a number of workers, whether a few or several hundred, applies through the FZA,



Directions to leading companies.

which will recruit them under a block sponsorship deal. The FZA acts as the overall sponsor instead of the company or a local partner.

The procedures for license applications are straightforward. The FZA has tried to keep the paperwork to a minimum but certain formalities have to be completed. The first three stages — a general questionnaire, license application and planning requests — can be completed by correspondence. But the FZA suggests that after returning the questionnaire, the company visit the Free Zone.

After provisional approval is granted, details for the actual license are required together with other necessary documents. Staff sponsorship, construction plans and other basic requirements are then dealt with and, after a final inspection of premises, a completion certificate is issued. The FZA says that the whole procedure takes a matter of weeks, rather than months. This is a considerable advantage over other local negotiations which can sometimes drag on for long periods. Also, compared to the operational procedures of other free zone authorities in the Middle East, Jebel Ali FZA administers its applications with a minimum of red tape.

Some of the banks — the British Bank of the Middle East is a typical example — will also undertake to help companies interested in doing business within the Free Zone. Many companies that have applied to work at Jebel Ali praise the close cooperation existing between them and the FZA. One textile manufacturer says: "If there is the smallest problem, perhaps over immigration permits, you can always call up the FZA and talk it over with them. They always try to be helpful."

The FZA offers general investment incentives and low operational costs. It also provides basic infrastructure services, warehousing and shell buildings for use as factories or as processing plants. It will also consider building special customized structures.

Rents are low. Land is \$1.45 per square meter a year, warehousing \$3.25 per square foot a year, offices \$12.15 per square foot a year. Utility services — water, electricity and sewerage charges — are also low.

Other costs relating only to companies holding a special license apply to labor recruitment. Visa fees vary according to the worker's country of origin, but it is suggested that companies

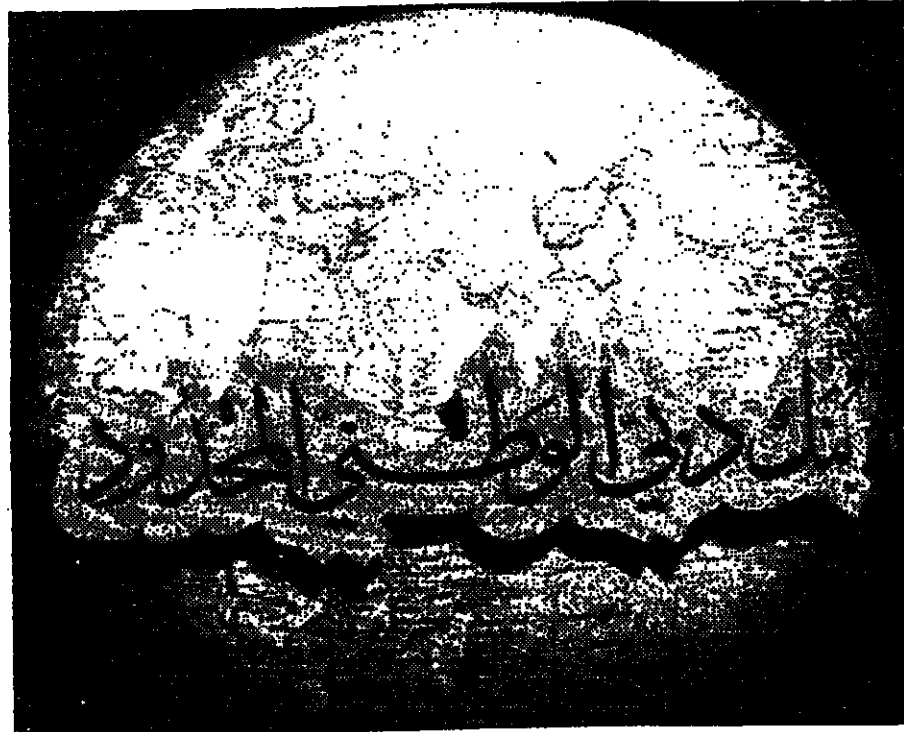
should set aside between \$82 and \$136 per person. The FZA will also recruit staff (\$82 per person) on behalf of a company if required. The FZA provides medical coverage for \$82 a person and obtains health cards from the Department of Health and Medical Services. Companies with more than 40 employees have the option of arranging medical treatment themselves, subject to prior agreement from the FZA.

Various types of accommodation are provided for workers within the Zone, where various communal facilities are available:

mosque, privately operated canteens with free video shows, supermarket, barber shops and telephones. Rents for a senior worker's room (maximum occupancy four people) is approximately \$150 a month.

Although companies with special licenses are forbidden to operate outside the FZA except through an agent, their employees are not confined to the Zone (although they cannot work outside it). Transport is available to take them to Dubai for rest and recreation when needed. Jebel Ali is about a 45-minute drive from Dubai.

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We're geared to handle all types of cargo — general, dry, reefer, breakbulk (containerised or non containerised).

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goods by air, sea or land, wherever and whenever you want. Smoothly and efficiently.

More importantly, we do your stock-keeping and send you periodic statements, and reports on your stock position so you can replenish it in time. For profit.

Quite simply, if you intend to use the Free Zone as your base in the Middle East, we can look after your interests without you being here. Without you getting worried and anxious there.



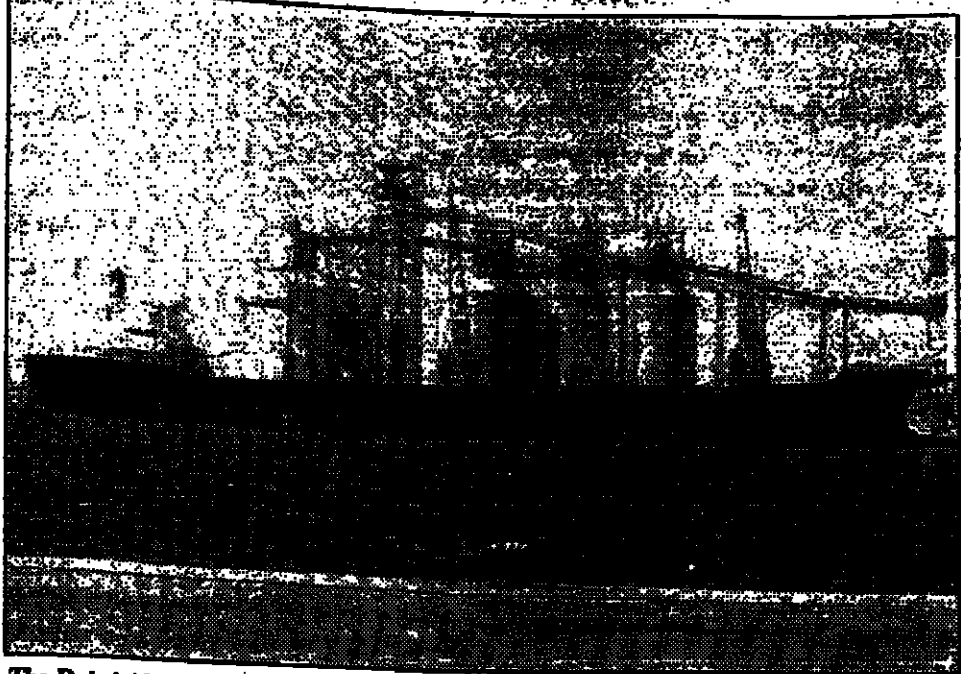
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Improved Sea-Air Transport Boosts Trade



The Dubai Aluminium Works has its own quay at Jebel Ali for unloading.

DUBAI has never had an oil-based economy and has traditionally relied on trade, in particular the re-export business, for its livelihood. Dr. K.G. Fencion, a well-known British economist and Middle East expert, commented once about Dubai: "It is the only place in the Middle East which is capable of pulling itself up

by its own bootstraps and making a good job of it."

The port of Jebel Ali has been a vital part of that bootstrap operation, and has confounded its critics, who believed that the giant hole in the ground was the biggest white elephant in the Arab world.

Like so many things in the Emirates, the birth of Jebel Ali can be traced to the

foresight of its ruler, Sheikh Rashid bin Saeed Al Maktoum. Jebel Ali is the name of a small rocky bluff in the desert overlooking the sea. It is now dominated by satellite and microwave communication dishes and a small "executive" apartment village.

Tradition says that the Sheikh was picnicking one afternoon in the mid-1970s

at Jebel Ali, one of his favorite spots, when he noticed lines of ships at anchor off the coast. This was during the heady days of the oil boom in the Gulf, and the freighters were waiting to discharge their cargoes in the limited, over-crowded harbor facilities at Dubai and Abu Dhabi.

After gazing at the waiting ships, he thrust his walking stick into the sand and declared to those about him: "Let us build a port here!"

For good measure, he added that he wanted it working in four years. That was nearly 10 years ago. It was the beginning of a massive construction operation, as two huge basins were carved out of the desert, approach channels dredged, wharves and jetties constructed and service roads laid out. Everything was completed on time, and the whole project covers about 7,500 acres. It takes almost 30 minutes to drive from one side of the port to the other. Resembling a giant letter "F" lying on its side, it is said to be one of the few

man-made works on earth visible from the moon.

The port itself covers 2,500 acres and has 15 kilometers (9 miles) of quays with deep-water berths for 67 vessels drawing up to 13.5 meters. It has the very latest handling equipment to cope with any kind of cargo from bulk dry goods and containers to oil and petroleum products. A massive new grain elevator with storage for 120,000 metric tons is nearing completion; there is a cold store and other temperature-controlled warehousing.

Since the port became fully operational in 1980, the number of vessels calling annually has more than trebled to almost 3,000 at the end of last year.

Although there has been a slight drop in the total volume of general cargo because of the overall economic position in the region (703,000 tons last year), transshipment of containers has been steadily increasing. In 1986 the port handled 152,000 TEU (20-foot equivalent unit) containers, half of which were for re-export, underlining the importance of Jebel Ali as a major distribution point.

Following the opening of the new cold store in 1983, tonnage has risen from nearly 20,000 tons to more than 49,000 tons a year. One of the biggest areas of activity has been the traffic in oil and petroleum products, which amounted to 3.5 million tons last year. It formed a major share of the total tonnage of all cargoes handled in 1986, which was 5.6 million tons.

The port is a 45-minute drive from Dubai Creek and from the International Airport, which is now increasing its air cargo activities following the formation of Emirates, the United Arab Emirates' own airline,

which this month began its first service to Europe with a daily flight to London. This is to be followed shortly by a service to Frankfurt.

Ram Menen, of Emirates cargo division, sees close links with Jebel Ali as an important step forward. Following the growth of manu-

facturing activity within the Jebel Ali Free Zone, Mr. Menen believes there is plenty of scope for more air-cargo business. A typical new product for air cargo is textiles, now being made by 26 companies in the Free Zone.

Emirates is now handling

about 1,000 metric tons of cargo a month, and is planning to extend its cargo-handling facilities to cope with the increased volume, particularly on the sea-air side.

This advertising section was written by Lee Voysey.



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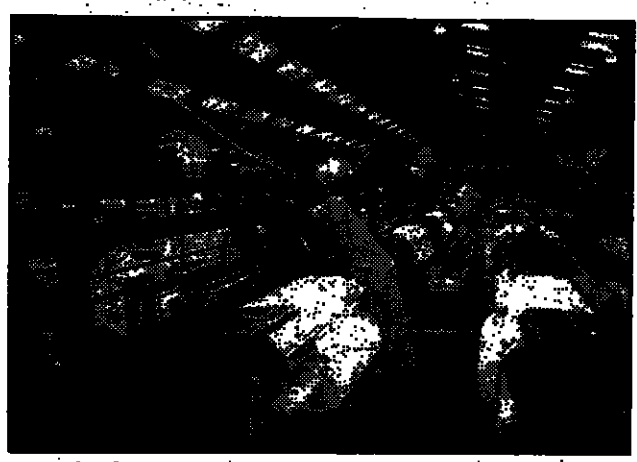
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Focus on New Garment and Textile Industry

SINCE the opening of the Jebel Ali Free Zone Authority, there has been a rush of applications for licenses from companies in the textile and garment industries. More than 26 companies have been given approval to start operations, and many are now actively exporting their products worldwide. Interest has been so great that the FZA has had to review the present state of the textile industry within the free zone.

One of the first companies to set up operations is the Jebel Ali Textile Mill, a subsidiary of a British group based in Manchester. It introduced the first weaving mill into the Gulf. Imam Ahmed Khan, of Jebel Ali Textile Mill, came here only one year ago, but he says he is already thinking of expanding his integrated operation. Besides producing woven textiles, the mill also manufactures garments such as shirts and blouses, for which it employs more than 100 workers, mainly Asian women.



These weaving looms were among the first used in the Gulf.

Mr. Khan says he was most impressed by the cooperation he received in his negotiations with the FZA and the almost total absence of bureaucratic red tape. The mill also needed buildings with adequate temperature control, essential for the weaving operation. This was a requirement the FZA was able to meet which was not available anywhere else in the region, says Mr. Khan.

The Jebel Ali Textile Mill is now in full operation making toweling and shirts. Average production is about

50,000 pieces a month. Total production is expected to reach a staggering 750,000 metric tons in all by the end of the year, as the plant expands.

The 32 existing power looms produce 77,300 kilograms (170,000 pounds) of toweling a month, most of which is destined for the British market and the mill's parent company. Towels and garments are also being sent to other European destinations and to North America.

According to Mr. Khan, the company is now selling

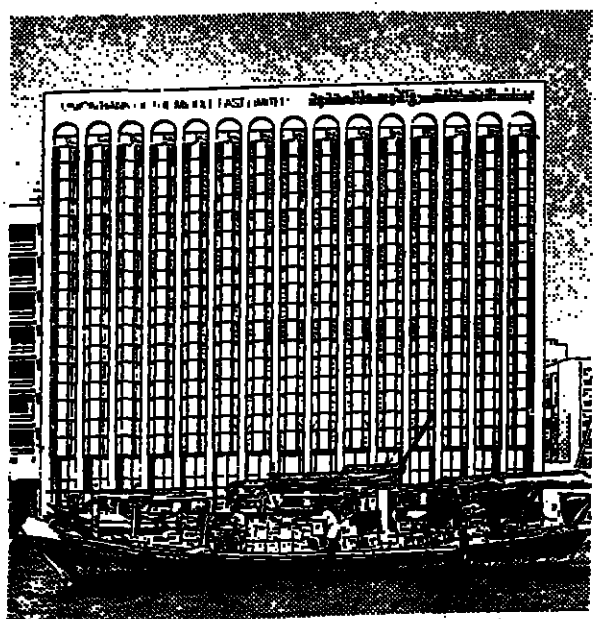
everything it can produce, and the market is generally very strong. He expects his first year's total exports to be worth more than \$5 million.

Another major textile factory start-up slated for next November is Fortune International Trading Company's weaving and garment-making operation. Fortune, which employs about 200 workers and has its own design center, was formed last year. It too has been attracted to Jebel Ali Free Zone by the incentives package.

The Free Zone's strategic location for distribution also played a key role in Fortune's decision to move into Jebel Ali. Comments Mr. S.V. Gulati, Fortune's chairman: "The dynamic management of the Port Authority has made possible a diversified industrial growth in a very short span of time."

Fortune, which is importing some of the latest Swiss-designed weaving machines and looms for making toweling has already gained substantial orders from markets in the United States and Europe.

THE OLD AND THE NEW A COMBINATION FOR SUCCESS



Traditionally, Dubai has been one of the busiest trading centres in the Middle East. Its dhows, laden with goods, travelled the seas and back, bringing prosperity to its people.

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Subsidiaries & Associates: Hong Kong • Nepal

Industry (Continued from page 8)

ding Company, which has been in operation for about 14 years supplying customers as far away as Oman. Six years ago, it began operating out of Jebel Ali, and its supplies are now piped direct from the Dugas plant.

At its terminal, Dugas has a storage capacity of 1,000 metric tons, which is equivalent to almost 45,000 50-pound cylinders. Emirates Gas also supplies customers such as hotels, hospitals and large residential complexes with bulk LPG.

It has also been studying and promoting a project to use LPG as a gasoline substitute.

Another company associated with energy development which has been closely involved with the development of Jebel Ali is Emirates Petroleum Products Company (EPPCO), a major national marketing company operating from the port.

Its depot is strategically located near the harbor entrance where it provides bunkering facilities. It also provides fuel for offshore drilling rigs and diesel fuel for its many land-based customers.

Another essential product used extensively throughout the UAE is bitumen, which EPPCO supplies in a variety of grades or special blends made to customers' specifications.

One of the most important industrial development companies in Jebel Ali is Dubai Electricity Company

(DEC), supplying Dubai with more than 90 percent of its power requirements. In addition, it produces 40 percent of the municipality's drinking water.

The power-station complex was first built between 1976 and 1980 and has been continually expanded since then. Total installed capacity is 650 MGW and the complex can produce up to 32 million gallons of desalinated water a day.

The power station can use both processed "dry" natural gas and raw "wet" gas. Early last year it began using 100 million cubic feet a day of gas from the Sharjah field, which had previously been burned off.

With the increase in power demand from Dubai and Jebel Ali, DEC has had to keep up a continuous program of expansion. Consumption has been increasing at an average rate of 10 percent a year. Last year a 482-million-dirham contract was awarded to a consortium headed by Korea Heavy Industries and Construction and AEG-Kanis of West Germany for an additional three turbines. This will give DEC an additional 227 MGW of power and 24 million gallons a day of water from four more desalination plants.

One of the attractions of the Free Trade Zone for inward investors is that it offers adequate power and water supplies at comparatively cheap rates.

RELIABLE AND ABUNDANT POWER AT JEBEL ALI

Dubai Electricity Company decided way back in 1975 to locate its Central Power and Desalination Station at Jebel Ali in close proximity to the Jebel Ali Port. This Central Power and Desalination Station can produce, at present, 650 MW of Electricity and 32 million Gallons of water daily. Construction work on a new 227 MW, 24 million gallon station next to the existing station started in February 1986.

The Company also established a bulk distribution point at Jebel Ali when it

commissioned its 132kV Substation in 1984. Further it has a network of 33kV Substations around Jebel Ali. Thus Dubai Electricity Company can ensure immediate power availability to all Industries and Facilities that will be established at the Free Zone at Jebel Ali.

Electricity is never a problem if you are at Jebel Ali Free Zone.



DUBAI ELECTRICITY COMPANY

P.O. Box No. 564
Dubai, United Arab Emirates
Tel: 222111/5, 226216/5
Telex: 45838 Kahrba EM



DM Straights

Provided by Credit Suisse First Boston Securities, London. Tel.: 01-623-1277
Prices may vary according to market conditions and other factors.

July 17

Audi Fin Nv	7%	94	104.00	6
Austri Control	6 1/2	88	101.75	5
Austri Control	7 1/4	88	101.75	4

[illegible]

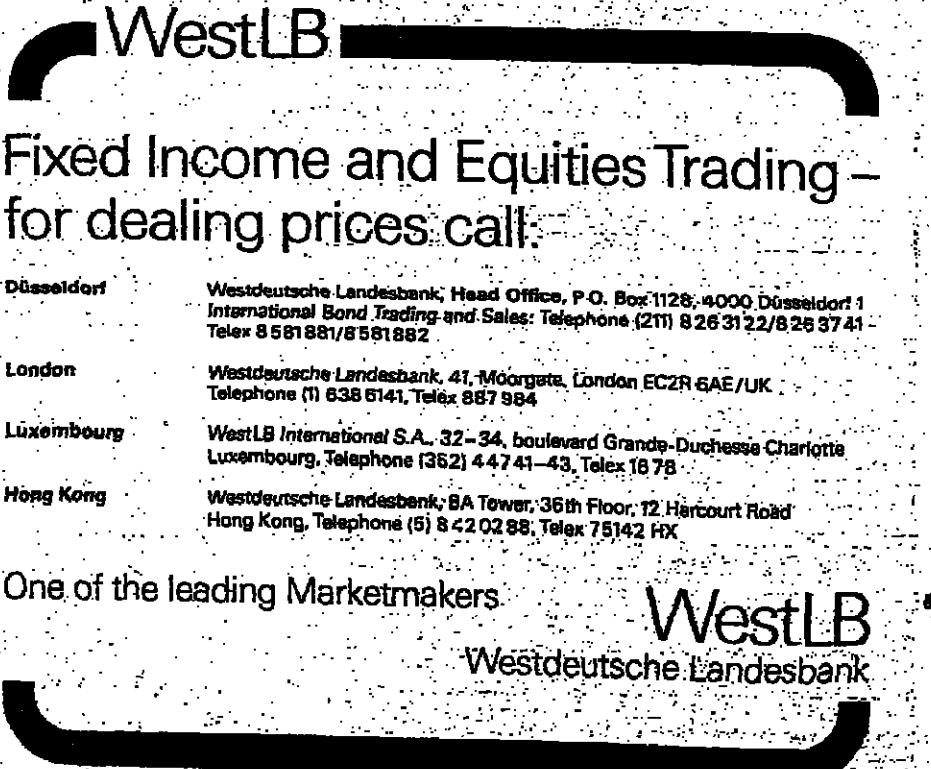
Railway	5½%	94	77½%	5.80	5.16
	6½%	96	106¼%	5.57	6.12
	6½%	97	104¾%	4.66	5.85
	6½%	92	97½%	4.98	4.89
	5½%	93	102¾%	5.08	5.67

Elixir Rates

U.S.: 1-month 6¼%

Figures as of close of trading Friday

21. 7-1

[illegible]

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U.S., EC Clash On Plan to End Farm Subsidies

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Telex 892131 CSFB G (unchanged)
Facsimile 01-580 2541 (new)

July 17

[Faint, illegible handwritten notes]

Friday
July 17

40%	44%	—	—
45%	49%	—	—
50%	54%	—	—
55%	59%	—	—
60%	64%	—	—
65%	69%	—	—
70%	74%	—	—
75%	79%	—	—
80%	84%	—	—
85%	89%	—	—
90%	94%	—	—
95%	99%	—	—
100%	104%	—	—
105%	109%	—	—
110%	114%	—	—
115%	119%	—	—
120%	124%	—	—
125%	129%	—	—
130%	134%	—	—
135%	139%	—	—
140%	144%	—	—
145%	149%	—	—
150%	154%	—	—
155%	159%	—	—
160%	164%	—	—
165%	169%	—	—
170%	174%	—	—
175%	179%	—	—
180%	184%	—	—
185%	189%	—	—
190%	194%	—	—
195%	199%	—	—
200%	204%	—	—
205%	209%	—	—
210%	214%	—	—
215%	219%	—	—
220%	224%	—	—
225%	229%	—	—
230%	234%	—	—
235%	239%	—	—
240%	244%	—	—
245%	249%	—	—
250%	254%	—	—
255%	259%	—	—
260%	264%	—	—
265%	269%	—	—
270%	274%	—	—
275%	279%	—	—
280%	284%	—	—
285%	289%	—	—
290%	294%	—	—
295%	299%	—	—
300%	304%	—	—
305%	309%	—	—
310%	314%	—	—
315%	319%	—	—
320%	324%	—	—
325%	329%	—	—
330%	334%	—	—
335%	339%	—	—
340%	344%	—	—
345%	349%	—	—
350%	354%	—	—
355%	359%	—	—
360%	364%	—	—
365%	369%	—	—
370%	374%	—	—
375%	379%	—	—
380%	384%	—	—
385%	389%	—	—
390%	394%	—	—
395%	399%	—	—
400%	404%	—	—
405%	409%	—	—
410%	414%	—	—
415%	419%	—	—
420%	424%	—	—
425%	429%	—	—
430%	434%	—	—
435%	439%	—	—
440%	444%	—	—
445%	449%	—	—
450%	454%	—	—
455%	459%	—	—
460%	464%	—	—
465%	469%	—	—
470%	474%	—	—
475%	479%	—	—
480%	484%	—	—
485%	489%	—	—
490%	494%	—	—
495%	499%	—	—
500%	504%	—	—
505%	509%	—	—
510%	514%	—	—
515%	519%	—	—
520%	524%	—	—
525%	529%	—	—
530%	534%	—	—
535%	539%	—	—
540%	544%	—	—
545%	549%	—	—
550%	554%	—	—
555%	559%	—	—
560%	564%	—	—
565%	569%	—	—
570%	574%	—	—
575%	579%	—	—
580%	584%	—	—
585%	589%	—	—
590%	594%	—	—
595%	599%	—	—
600%	604%	—	—
605%	609%	—	—
610%	614%	—	—
615%	619%	—	—
620%	624%	—	—
625%	629%	—	—
630%	634%	—	—
635%	639%	—	—
640%	644%	—	—
645%	649%	—	—
650%	654%	—	—
655%	659%	—	—
660%	664%	—</	

Feb. 19

PROBONDS!

New International Bond Issues

Compiled by Anne Potter Hardwick

Issuer	Amount (millions)	Mat.	Coup. %	Price	Price and week	Terms
FLOATING RATE NOTES						
CARPS 2	\$ 80	1992	0.15	100.10		Over 6-month Libor. Noncallable. Fees 0.13%. Denominations \$100,000.
JEWEL	\$100	1992	3/16	100.10		Over 6-month Libor. Noncallable. Fees 0.13%. Denominations \$100,000.
SABRE IV	\$100	1992	3/16	100.05		Over 6-month Libor. Noncallable. Fees 0.12%. Denominations \$100,000.
TMC Securities 2	\$100	2014	3/4	100	99.65	Over 3-month Libor for first 10 years, rising to 0.50% over Libor thereafter. Collateralized U.S. residential mortgage obligations. Expected average life 5 to 7 years. Callable at par in 1992, if outstanding principal is less than 10% of original amount. Fees 0.50%.
IBJ Australia Bank	Aus\$ 250	1992	0.60	100		Below the 3-month Bank Bill rate, Redeemable at par in 1988 and on every coupon date thereafter. Fees 0.10%. Denominations \$400,000.
FIXED-COUPON						
British Telecom Finance	\$150	1994	8%	101 1/4	99.88	Noncallable. Fees 1 1/2%.
Chrysler Financial	\$125	1990	8%	100.85	99.48	Noncallable. Fees 1 1/2%.
Citicorp	\$250	1990	8%	101 1/4	99.93	Noncallable. Fees 1 1/2%.
Household Finance	\$100	1990	8%	101 1/4	100.00	Noncallable. Fees 1 1/2%.
World Bank	\$300	1997	9	101 1/4	99.75	Noncallable. Fees 2%.
New South Wales Treasury	AUS\$100	1990	7 1/2	101 1/4	99.25	Noncallable. Fees 1 1/2%.
European Coal & Steel Community	CS 83	1995	10	100 1/4	98.25	Noncallable. Fees 2%.
Westdeutsche Landesbank Finance	CS 75	1991	9%	101 1/4	99.75	Noncallable. Fees 1 1/2%.
Bayern Hypo Finance	Aus\$ 75	1990	13%	101 1/4	100.13	Noncallable. Fees 1 1/2%.
British Petroleum Capital	Aus\$ 75	1992	13%	103		Noncallable. Fees 2%.
Chrysler Financial	Aus\$ 75	1990	14%	101 1/4	99.50	Noncallable. Fees 1 1/2%.
Commerzbank Overseas Finance	Aus\$ 50	1990	13%	101 1/4	100.50	Noncallable. Fees 1 1/2%.
ITT Financial	Aus\$ 75	1990	14	101 1/4	100.75	Noncallable. Fees 1 1/2%.
Kreditbank Luxembourg	Aus\$ 50	1990	14%	101 1/4	100.00	Noncallable. Fees 1 1/2%.
McDonalds	Aus\$100	1990	13%	101 1/4	99.25	Noncallable. Fees 1 1/2%.
State Electricity Commission of Victoria	Aus\$ 60	1992	13%	101 1/4	99.75	Noncallable. Fees 2%.
Westdeutsche Landesbank Finance	Aus\$ 50	1992	13%	101 1/4	100.25	Noncallable. Fees 2%.
EQUITY-LINKED						
Fujitsu Industries	\$ 75	2002	6 1/2	100	98.88	Convertible at \$41.625 per share, at 21.53% premium. Fees 2 1/2%.
Kirin Brewery	\$500	1992	2 1/4	100	98.63	Noncallable. Each \$10,000 note with one warrant exercisable into company's shares at \$25.63 per share and at 150.25 yen per dollar. Fees 2 1/2%.
Koa Fire & Marine Insurance	\$ 70	2002	open	100	98.00	Coupon indicated at 10%. Convertible at an expected 5% premium. Fees 2 1/2%. Terms to be set July 21.
Kobori Jukan	\$ 70	1992	open	100	96.00	Coupon indicated at 10%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 2 1/2%. Terms to be set July 20.
Kyushu Matsushita Electric	\$150	1992	open	100	98.50	Coupon indicated at 25%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 2 1/2%. Terms to be set July 22.
Long-Term Credit Bank of Japan	\$200	2002	open	100	99.00	Semiannual coupon indicated at 10%. Convertible at an expected 5% premium. Fees 2 1/2%. Terms to be set July 21.
Mitsubishi Bank	\$100	1992	2 1/4	100	95.00	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at \$31.25 per share and at 152.35 yen per dollar. Fees 2 1/2%.
Mitsubishi Trust & Banking	\$100	2002	open	100	100.50	Coupon indicated at 10%. Convertible at an expected 5% premium. Fees 2 1/2%. Terms to be set July 20.
Mizuno	\$ 50	1992	open	100	95.00	Coupon indicated at 25%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 2 1/2%. Terms to be set July 22.
Morgan Crucible	\$ 25	1992	3%	100		Each \$10,000 bond with 10 warrants, each exercisable into 95 company's shares at a price to be set. Warrants redeemable at maturity of \$136.25 per warrant. Fees 2 1/2%.
Odakyu Electric Railway	\$150	1992	2 1/4	100	95.00	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at \$31.25 per share and at 152.35 yen per dollar. Fees 2 1/2%.
Sumitomo Chemical	\$200	1992	open	100	94.25	Coupon indicated at 25%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 2 1/2%. Terms to be set July 22.
Sumitomo Trust & Banking	\$100	2002	1 1/4	100	99.00	Semiannual coupon, Callable at 10% in 1990. Convertible at 4.147 yen per share and at 150.25 yen per dollar. Fees 2 1/2%.
Toyo Suisan Kaisha	\$ 50	1992	open	100	97.00	Coupon indicated at 3%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 2 1/2%. Terms to be set July 20.
Toyobo	\$ 70	1992	2 1/4	100	95.00	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at \$31.25 per share and at 152.35 yen per dollar. Fees 2 1/2%.
Yasuda Fire & Marine Insurance	\$150	1992	2 1/4	100	98.00	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at \$31.25 per share and at 152.35 yen per dollar. Fees 2 1/2%.
Yokogawa Electric	\$100	1992	open	100	95.00	Coupon indicated at 25%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 2 1/2%. Terms to be set July 21.

EUROBONDS: A Renewed Interest in Dollar Paper

(Continued from first finance page)
delighted to have a liquid supranational issue that can serve as a benchmark in the 10-year range. The medium-term, seven-year paper offered by British Telecom, priced to yield 5 1/2 basis points over the Treasury curve, was deemed too strong and too long in a market that looks for an incentive to go out beyond five years. Its \$150 million of 8 1/4 percent bonds, offered at 101 1/4, ended the week trading outside its fees of 1 1/2 percent.

Retail demand remained focused on the high-coupon Australian dollar sector. Volume was heavy with nine new issues totaling 610 million Australian dollars. With the election now out of the way and interest rates expected to decline, bankers say demand is good but remains focused on names familiar to investors in West Germany and the Benelux countries.

Japanese companies continued to flood the equity-linked sector with bonds bearing warrants to buy stock while investors remain shy, given the continued decline of prices on the Tokyo stock exchange.

The exceptions were the convertible bonds offered by Long-Term Credit Bank, Mitsubishi Trust & Banking and Sumitomo Trust & Banking. Convertibles are bonds whose face value can be used to purchase the stock. In warrant issues, the bonds remain outstanding until redemption and to exercise the warrant investors have to put in additional cash.

Convertibles are deemed to have better redemption value than warrant bonds. In addition, the warrant market is flooded with paper whereas there have been relatively few convertible bonds. This was reflected in the market last week, where these three convertibles trad-

ed within a point of their issue price. The \$70 million convertible for Koa Fire & Marine, the first convertible from an insurance company, fared less well at less 2 points. The warrant bonds, however, were on average down five points. The leading underwriters, Nomura, Yamaichi and Daiwa, said they are doing their utmost to restrain companies from proceeding with plans to tap the market.

An interesting twist on the stan-

dard warrant bond was offered last week by Montedison, the Italian chemical company. It is tapping the Swiss franc market with an issue of 75 million francs for five years. Each bond carries seven warrants, each of which can purchase 20 U.S. barrels of light crude oil at \$23.55 a barrel, about 5 percent over the current market price.

The Montedison bonds, carrying a coupon of 4 1/2 percent, are priced at 122, making a de facto premium of the warrant just over 3 percent.

Argentina, Brazil Sign Pact Aimed at Greater Integration

United Press International
VIEDMA, Argentina — Argentina and Brazil have signed 10 agreements as part of an ambitious effort to integrate their economies. The 10 protocols signed Friday include measures to increase bilateral trade and boost cooperation in the transportation and biotechnology sectors. Argentina and Brazil also agreed to establish a common monetary unit, known as the gaucha, that is to be used in commercial exchanges between the two countries.

The new unit is to be financed by the establishment of a common fund, with an initial investment of \$100 million by each country. At a news conference with President José Sarney of Brazil, President Raúl Alfonsín of Argentina said that trade between the countries had increased from \$900 million in 1985 to \$1.4 billion in 1986, partly as a result of the initiation of the cooperation plan last year.

Under the agreement, bilateral trade is to reach \$2 billion by 1990. Officials traveling with the two

leaders during Mr. Sarney's three-day visit to Argentina said that a \$400 million proposal to exchange automobile parts and to close that market to third countries had not yet been approved because it raised fear among auto industry leaders in both countries.

Oscar Romero, Argentina's undersecretary for international commerce, said that negotiations on the project would continue.

He said that more objections had been raised by Brazilian than Argentine businessmen. Mr. Romero also said that if the new monetary unit is a success, "it will be expanded to other nations in the region."

Mr. Alfonsín urged other Latin American countries to join in the economic integration process, which he called "irreversible." Before leaving this city of about 35,000 on the northernmost edge of the Patagonia grassy region, Mr. Sarney and Mr. Alfonsín toured the site where a new federal administrative center is to be built.

Huge Spanish State Company Bucks the Trend

Reuters
MADRID — While some West European countries are rapidly selling off state corporations, Spain's unprofitable state holding company INI appears reluctant to dismember a sprawling business empire.

INI completed the sale of its car company Sociedad Española de Automóviles de Turismo, or SEAT, to West Germany's Volkswagen AG last year, but analysts say that INI lacks a clear privatization strategy to take it into the 1990s.

Since its establishment in 1941, INI, or Instituto Nacional de Industria, has grown into by far the country's biggest industrial conglomerate, with interests ranging from electronics to meat packaging.

Closely modeled on Italy's IRI, Instituto Ri-costruzione Industriale, INI's original role was that of an engine for growth in basic industries, such as shipbuilding, steel and coal mining.

"The trouble is that INI's original aims are obsolete and the group has so far proved unable to map out clear new objectives for itself," said a former INI executive who now runs his own business.

One of INI's main problems is that most of the basic industries that originally formed its core are in a crisis worldwide.

INI's difficulties were compounded in the

late 1970s when the government of the day forced it to bail out a string of private industrial companies that were forced into bankruptcy.

SEAT is the only large company that INI has sold off, although it has said it may sell a minority stake to private investors in its electrical utility company, Empresa Nacional de Electricidad SA, and paper pulp company Empresa Nacional de Celulosas SA.

"I do not think INI is going anywhere," the general manager of the Madrid branch of a leading U.S. bank said. "They are selling bits and pieces but they are not really privatizing."

Claudio Aranzadi, who was appointed chairman of INI last year, said: "We have to cut our losses but the fact is we can be an industrial force. But first of all we must establish our credibility as managers."

Analysts say that with losses of 117 billion pesetas (currently \$927.8 million) in 1986, and accumulated debts of around 1.8 trillion pesetas outstripping revenues of 1.5 trillion, INI's management faces an uphill struggle.

Mr. Aranzadi said he saw the makings of a viable state-run business based on INI's interests in aerospace, defense, electronics, engineering and power generation.

"We will disinvest in those businesses which are not of interest to us if we get the right offer," he said.

But critics say INI has no ideological commitment to privatizing and its motive for selling off companies has been its need for funds.

A former member of INI's planning department said there were political and social constraints preventing INI's management from taking decisions to prune losses in traditional businesses such as coal and steel.

"There are two ideological strands in the governing Socialist Party," he said. "One of them is interventionist and the other is free market-oriented. This ambiguity is reflected in INI's management."

Some of INI's top managers also believe there is a lasting role for state industry in Spain because of the private sector's failure to develop internationally competitive industries.

Many of INI's weakest businesses are in economically backward regions of the country where alternative employment is scarce.

Plans to cut back the 21,000 labor force at Hunosa, a coal-mining company in Oviedo, in Northern Spain's Asturias region, have run into bitter opposition.

Similar plans to restructure an INI-owned shipyard, Astilleros Españoles SA, at Puerto Real in southern Spain, and a steel mill in the northern town of Reinosa have provoked violent demonstrations by workers.

Czechs Grant State Firms

More Leeway

Agence France-Press

PRAGUE — The Czechoslovakian authorities have published a measure designed to give state companies more independence in managing their affairs.

The move, patterned after Moscow's recent steps toward liberalization, is seen as part of a restructuring of the Czechoslovakian economy approved earlier this year.

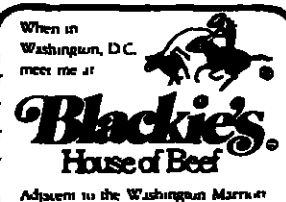
Czechoslovak newspapers, which published the bill Saturday, said it would be open to public discussion until the end of October. The bill is to become law by January 1, 1989, and companies will have two years to comply with its provisions, the papers said.

Analysts said that the new law would give state-run companies greater independence in the areas of accounting and finance, and that executives would be elected by staff members instead of being appointed by the government.

"Low wages will be characteristic of enterprises that fail in their duties," said Jaromir Matzka, the government official who oversees management planning. He said that employees of such companies "will be disappointed and will pressure the firm's board to obtain better management."

Companies that perform poorly could be shut down or taken over by other firms, officials said.

The state's role would essentially be to regulate the economic system by controlling credit, wages and prices, officials said.



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SELECTED U.S.A./O.T.C. QUOTATIONS

	BID	ASK
Alan Jones Pit Stop	2	2 1/4
Bitter Corp.	1 1/4	2 1/4
Chiron	24 1/4	25
GoodMark Foods	15 1/4	16
MAG Holdings	4 1/4	4 1/2
NAV-AIR	3 1/4	3 1/2
Spectrodyne	4 1/4	4 1/2

WITH COMPLIMENTS OF CONTINENTAL AMERICAN
These are indicative prices as of July 16, 1987

Leaked BTR Terms Leave the Market Moaning

By Carl Gewirtz
International Herald Tribune

PARIS — The terms on the financing for British conglomerate BTR PLC, still not made public officially, were leaked last week amid much moaning that, although not the cheapest the market has seen, they do not leave much profit for the lenders.

The company is looking for a line of credit of £1 billion, with

INTERNATIONAL CREDIT

banks asked to underwrite \$500 million. The remainder would be available on an uncommitted basis.

For the underwritten portion, BTR is to pay an annual facility fee of five basis points on the amount it designates as available and 2 1/4 basis points on the reserve amount. At least 40 percent must always be available.

The facility will be used to back up the sale of short-term securities, but if banks are obliged to provide any credit, they will be paid 7 1/4 basis points over the London interbank offered rate. The charge rises by five basis points if more than half the credit is drawn from the banks.

Bankers Trust, which is arranging the credit, is seeking five additional lead managers to underwrite \$83.3 million each before proceeding into general syndication. The underwriting fee is a thin one basis point, or a hundredth of a percent, on the nominal underwriting commitment and 2 1/4 basis

points on the amount left after syndication.

Up to \$500 million will be available to BTR's U.S. subsidiary, BTR-Dunlop Inc. But this will not carry the guarantee of BTR PLC, a diversified group whose operations include energy, engineering and transportation.

Woodchester Investment, the Irish subsidiary of British & Commonwealth Shipping Co., is seeking a \$50 million, three-year multi-option facility.

It will pay an annual fee of 6 1/4 basis points and a maximum charge of 10 basis points over Libor to draw from the banks. This rises by 6 1/4 basis points if more than half the amount is drawn from underwriters. Front-end fees range up to 10 basis points for banks underwriting £7.5 million.

In the dollar market, Polysar, the Canadian petrochemical company, is looking for a \$115 million, seven-year revolving credit. It will pay 55 basis points over Libor for the first two years and 75 basis points over Libor for the final five years.

Polysar will have six months to draw the entire loan, and thereafter it will pay a 1 percent commitment fee on unused amounts. Banks underwriting \$10 million will earn front-end fees of 15 basis points.

As soon as the slow-moving \$250 million credit for Portugal's CNP petrochemical company is completed, now set for the end of July, the government-owned EPSI, another petrochemical company, will

enter the market for a loan of \$65 million.

ITTW, formerly Illinois Tool Works, is seeking a \$300 million, five-year multi-option facility. It will pay an annual facility fee of eight basis points and a drawing charge of 12 1/2 basis points over Libor. The drawing margin rises five basis points if underwriters are called on for more than one-third of the amount and 10 basis points for more than two-thirds.

Northern Indiana Public Service Co. is arranging a \$100 million revolving underwriting facility that will run for five years. It is paying an annual facility fee of 20 basis points. Underwriters are committed to take notes if not otherwise placed at a cost of 20 basis points over Libor.

In the commercial paper market, Kubota, the Japanese manufacturer of farm equipment, will use its Dutch subsidiary Kubota Finance to raise up to \$100 million. The program is being arranged by Nomura International. In addition to Nomura, the dealers are Citicorp and Swiss Bank Corp.

First City Financial Corp. (Euro) Ltd. has signed a \$50 million commercial paper, Bank of America, the sole dealer and arranger, said. The borrower is a subsidiary of First City Securities Ltd. of the United States, which in turn is a subsidiary of First City Financial Corp., a Canadian holding and investment company, which will guarantee the notes.

Compagnie Bancaire de France

has asked S.G. Warburg to arrange a \$200 million medium-term note program under which it will issue notes, in either U.S. dollars or sterling, with maturities of one to five years. Dealers, in addition to Warburg, are Merrill Lynch and Swiss Bank Corp.

The first note issuance facility denominated in New Zealand dollars is under way in Hong Kong for Citicorp New Zealand, guaranteed by Citibank of New York. As soon as Citibank receives a license to

open a New Zealand branch, which is expected within a few months, the paper will be issued in the name of the branch. The facility will total \$75 million, of which \$25 million will be underwritten and \$50 million made by direct offer. Interest will be tied to the New Zealand domestic bank bill rate, which for 30 days is 18.2 percent.

Daimler-Benz to Recall 86,000 Cars for Changes

Reuters

STUTTGART — Daimler-Benz AG said Sunday it will recall around 86,000 of its compact 190-range models equipped with cruise control systems to make changes to the brake-light fuses.

Currently, the cruise control system can be deactivated by pressing the brake pedal, a function that fails if the fuse blows. Daimler said the recall affected some 6,000 cars domestically, 65,000 in the United States and 15,000 elsewhere.



BANCA NAZIONALE DEL LAVORO

CONDENSED STATEMENT OF CONDITION FOR THE BANK AND ITS SPECIAL CREDIT SECTIONS AS AT 31-12-1986 (BILLIONS OF IT. LIRE)

**TOTAL RESOURCES 94,461 (+3%), NET WORTH 3,199 (+17%),
LOAN CONTINGENCY FUNDS 1,957 (+22%),
TOTAL DEPOSITS IN ITALIAN LIRE & FOREIGN CURRENCY 82,738 (+5%),
CASH LOANS IN ITALIAN LIRE & IN FOREIGN CURRENCY 64,589 (+1%),
GROSS SURPLUS 944 (+15%), NET PROFIT 266 (+10%).
GROUP STAFF 26,154 (1,718 OF WHICH EMPLOYED IN QUASI-BANKING COMPANIES).**



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Dollar's Recovery Boosts U.S. Treasury Bonds

By Phillip H. Wiggins
New York Times Service

NEW YORK — Prices of U.S. government securities rose moderately last week in light trading that was buoyed by the surge of the dollar against the yen.

The dollar is continuing to recover from the steep loss precipitated Wednesday by the report of a larger-than-expected U.S. trade deficit for May. On Friday, the dollar rose against all major currencies except the Canadian dollar.

The story in the bond market continues to be the growth in the economy and the recent stability in

the dollar," said E. Wayne Nordberg, chairman of the investment policy committee at Cleveland-based Prescott, Ball & Turben.

"This combination will permit renewed easing by the Federal Reserve Board no later than September," he added, "and it is this potential that the bond market is currently discounting."

Mr. Nordberg said that interest rates, including the benchmark prime rate, should decline another 50 basis points, or one-half of a percentage point, by the end of the year.

The Treasury's bellwether 8 1/2 percent bonds, due in 2017, were offered at 101 3/32, up by 13/32, late Friday. At that price, the 30-year issue yields about 8.55 percent. Bill rates were narrowly mixed.

The bond market showed little reaction to Thursday's report of sluggish money supply figures. "By every appearance, we are in a money famine, which, of course, would be enormously bearish for business activity," said James Grant, editor of Grant's Interest Rate Observer.

On Wednesday, the Treasury is expected to auction \$9.75 billion of

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U.S. Consumer Rates

	July 17
Year Percent Bonds	
30-year Treasury	7.44 %
Money Market Funds	
Dreyfus's 7-Day Average	6.34 %
Bank Money Market Accounts	
Bank State Street Index	5.61 %
Home Mortgages, FHLB average	10.52 %

Source: New York Times.

two-year notes. The outstanding two-year issue was trading at a price to yield about 7.30 percent late Friday.

Mexico to Boost Oil Exports by Slight Margin

The Associated Press

MEXICO CITY — Mexico, the world's fourth-largest oil producer, plans a slight increase in its exports of crude oil to 1.36 million barrels a day, the government news agency Notimex reported.

The increase will be retroactive to July 1, the news agency said Saturday. Mexico recently has maintained an export target of 1.329 million barrels a day.

The plan to increase exports was announced after a meeting between Mexico's energy minister, Alfredo del Mazo, and Venezuela's energy minister, Arturo Hernández Grisanti.

The Notimex statement said that the increased level represented a seasonal adjustment.

Kuwait Reports Progress In Rescheduling Bad Loans

Reuters

KUWAIT — Kuwait's central bank governor says that the country has made clear progress toward settling the banking sector's non-performing loans, which account for more than 25 percent of commercial bank assets, a newspaper reported Sunday.

Sheikh Salem al-Sabah told the newspaper al-Sayassah that 1,911 of 2,185 debtors classified as having "difficult debts" were participating in a central bank rescheduling plan launched in August 1986. Their debts as July 9 totaled 2,442 billion dinars (\$8.6 billion), or 97 percent of the total debt covered by the plan.

"The settlement program has made clear steps towards execution," Sheikh Salem said.

The plan unveiled in August was designed to reschedule crippling local debt to ensure "the rights of debtors and their families to a decent and dignified living" while protecting the rights of shareholders and depositors.

The program entitles debtors without positive cash flow to a 10-year, no-interest loan equal in value to their assets, which are being mortgaged with the creditor banks. Their other debts are to be re-

scheduled over 15 years with interest fixed at 7 percent or less.

Much of Kuwait's bad debt stems from the 1982 crash of the Souk al-Manakh unofficial stock market.

Sheikh Salem said that the central bank did not oppose settlements that were reached outside its rescheduling plan under "sound economic bases."

He noted that the Kuwaiti non-oil gross domestic product increased 6.4 percent last year after three consecutive years of decline.

"This probably indicates that the local economy is passing through a turning point after absorbing shocks of the Souk al-Manakh, the decline in oil prices and prevailing conditions in the region," he said.

Taiwan to Buy \$4.35 Billion of Goods in U.S.

Agence France-Presse

TAIPEI — Taiwanese trade officials have begun a mission to the United States to buy \$4.35 billion of goods, including 10 commercial aircraft and sophisticated computers, a government spokesman said.

The 45-member delegation, which left Saturday, will also buy machinery and medical facilities. It is the 13th mission Taiwan has sent to the United States since 1979.

Taiwan's long-order, China Airlines, is to buy 10 jumbo jets valued at a total \$1.7 billion, and the delegation is also to place orders for Chinese Petroleum Corp., and the Taiwan Power Company, the spokesman said.

Previous teams have bought \$3.7 billion in U.S. goods. But despite the purchases and market-opening measures, Taiwan has been posting record trade surpluses. In the first four months of this year, Taiwan's merchandise trade surplus reached \$5.77 billion, against \$4.25 billion a year earlier, most of it with the United States.

U.S. Treasury Bonds

July 17

Maturity	Bid	Ask	Yield
7/28	100 3/4	100 1/2	7.32
8/1	100 3/4	100 1/2	7.32
8/15	100 3/4	100 1/2	7.32
8/28	100 3/4	100 1/2	7.32
9/1	100 3/4	100 1/2	7.32
9/15	100 3/4	100 1/2	7.32
9/28	100 3/4	100 1/2	7.32
10/1	100 3/4	100 1/2	7.32
10/15	100 3/4	100 1/2	7.32
10/28	100 3/4	100 1/2	7.32
11/1	100 3/4	100 1/2	7.32
11/15	100 3/4	100 1/2	7.32
11/28	100 3/4	100 1/2	7.32
12/1	100 3/4	100 1/2	7.32
12/15	100 3/4	100 1/2	7.32
12/28	100 3/4	100 1/2	7.32

Source: Salomon Inc.

NASDAQ National Market

OTC Consolidated trading for week ended Friday.

Sales In	High	Low	Close	Net
100	110	105	108	+10
200	210	205	208	+10
300	310	305	308	+10
400	410	405	408	+10
500	510	505	508	+10
600	610	605	608	+10
700	710	705	708	+10
800	810	805	808	+10
900	910	905	908	+10
1000	1010	1005	1008	+10
1100	1110	1105	1108	+10
1200	1210	1205	1208	+10
1300	1310	1305	1308	+10
1400	1410	1405	1408	+10
1500	1510	1505	1508	+10
1600	1610	1605	1608	+10
1700	1710	1705	1708	+10
1800	1810	1805	1808	+10
1900	1910	1905	1908	+10
2000	2010	2005	2008	+10
2100	2110	2105	2108	+10
2200	2210	2205	2208	+10
2300	2310	2305	2308	+10
2400	2410	2405	2408	+10
2500	2510	2505	2508	+10
2600	2610	2605	2608	+10
2700	2710	2705	2708	+10
2800	2810	2805	2808	+10
2900	2910	2905	2908	+10
3000	3010	3005	3008	+10
3100	3110	3105	3108	+10
3200	3210	3205	3208	+10
3300	3310	3305	3308	+10
3400	3410	3405	3408	+10
3500	3510	3505	3508	+10
3600	3610	3605	3608	+10
3700	3710	3705	3708	+10
3800	3810	3805	3808	+10
3900	3910	3905	3908	+10
4000	4010	4005	4008	+10
4100	4110	4105	4108	+10
4200	4210	4205	4208	+10
4300	4310	4305	4308	+10
4400	4410	4405	4408	+10
4500	4510	4505	4508	+10
4600	4610	4605	4608	+10
4700	4710	4705	4708	+10
4800	4810	4805	4808	+10
4900	4910	4905	4908	+10
5000	5010	5005	5008	+10
5100	5110	5105	5108	+10
5200	5210	5205	5208	+10
5300	5310	5305	5308	+10
5400	5410	5405	5408	+10
5500	5510	5505	5508	+10
5600	5610	5605	5608	+10
5700	5710	5705	5708	+10
5800	5810	5805	5808	+10
5900	5910	5905	5908	+10
6000	6010	6005	6008	+10
6100	6110	6105	6108	+10
6200	6210	6205	6208	+10
6300	6310	6305	6308	+10
6400	6410	6405	6408	+10
6500	6510	6505	6508	+10
6600	6610	6605	6608	+10
6700	6710	6705	6708	+10
6800	6810	6805	6808	+10
6900	6910	6905	6908	+10
7000	7010	7005	7008	+10
7100	7110	7105	7108	+10
7200	7210	7205	7208	+10
7300	7310	7305	7308	+10
7400	7410	7405	7408	+10
7500	7510	7505	7508	+10
7600	7610	7605	7608	+10
7700	7710	7705	7708	+10
7800	7810	7805	7808	+10
7900	7910	7905	7908	+10
8000	8010	8005	8008	+10
8100	8110	8105	8108	+10
8200	8210	8205	8208	+10
8300	8310	8305	8308	+10
8400	8410	8405	8408	+10
8500	8510	8505	8508	+10
8600	8610	8605	8608	+10
8700	8710	8705	8708	+10
8800	8810	8805	8808	+10
8900	8910	8905	8908	+10
9000	9010	9005	9008	+10
9100	9110	9105	9108	+10
9200	9210	9205	9208	+10
9300	9310	9305	9308	+10
9400	9410	9405	9408	+10
9500	9510	9505	9508	+10
9600	9610	9605	9608	+10
9700	9710	9705	9708	+10
9800	9810	9805	9808	+10
9900	9910	9905	9908	+10
10000	10010	10005	10008	+10

"If you love food, and are headed for France, Wells' book is a must," San Francisco Examiner.

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Sweden* S.Kr.	1,800	990	540	S.Kr. 3,05	S.Kr. 1,110
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